massDOT
Massachusetts Department of Transportation

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

(A Component Unit of the Commonwealth of Massachusetts)

Basic Financial Statements, Required Supplementary Information and Other Supplementary Information

June 30, 2021

(With Independent Auditors' Report Thereon)

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

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Independent Auditors' Report

Members of the Board of Directors
Massachusetts Department of Transportation:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise MassDOT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of MassDOT, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(s) to the financial statements, in 2021, MassDOT adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules listed under Required Supplementary information in the table of contents on be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MassDOT's basic financial statements. The Other Supplementary Information (OSI) listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The OSI is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the OSI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022 on our consideration of MassDOT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MassDOT's

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MassDOT's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
February 22, 2022

Management of the Massachusetts Department of Transportation (MassDOT) provides this Management's Discussion and Analysis to assist readers of its financial statements to better understand the financial activities of MassDOT for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with MassDOT's basic financial statements, which follow this section.

Overview of the Financial Statements

MassDOT's financial statements present two types of statements each with a different view of MassDOT's finances. This approach focuses on both MassDOT as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about MassDOT as a whole. The fund financial statements focus on the individual parts of MassDOT, reporting MassDOT's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance MassDOT's accountability. Also included in the report is the financial information about activities for which MassDOT acts solely as a trustee or agent for the benefit of those outside of the government. Additional parts of the basic financial statements are the notes to the financial statements, required supplementary information and other supplementary information, which is used to assist readers and investors in reviewing MassDOT's general fund operations in more detail.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of MassDOT as a whole, with the exception of fiduciary activities, and use accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about MassDOT's financial situation and are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting. All revenues and expenses connected with the fiscal year are reported regardless of the timing of cash flows. The government-wide financial statements include the following two statements:

Statement of Net Position – Presents all of MassDOT's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as "net position". The net position is widely considered a good measure of MassDOT's financial health as increases and decreases in MassDOT's net position serve as a useful indicator of whether MassDOT's financial position is improving or deteriorating. The reader should consider other nonfinancial factors, such as the condition of MassDOT's infrastructure, ways and structures when evaluating financial information.

Statement of Activities – Presents information showing how MassDOT's net position changed during the most recent fiscal year. Revenues, expenses, and gains/losses are reported for some items that will not result in cash flows until future fiscal periods (i.e., accounts receivable, long-term debt, etc.). This statement also presents a comparison between direct expenses and program revenues for each division of MassDOT.

The government-wide financial statements present information in three columns in order to summarize MassDOT's activities. The types of activities presented are as follows:

Governmental Activities – Most of MassDOT's basic services (which are primarily funded by toll revenues, contract assistance from the Commonwealth and other nonexchange revenues) are reported in this section by operational division, which are as follows: Highway, Registry of Motor Vehicles, Rail and Transit, and Aeronautics as well as shared services represented by Planning and Enterprise Services (formerly the Office of the Secretary).

Business-Type Activities – The Massachusetts Bay Transportation Authority's (MBTA), a component unit, activities are reported here since a portion of their costs are recovered through user fees and charges to external users of goods and services.

Discretely Presented Component Units – Separate legal entities for which MassDOT has financial accountability are included in this section. These entities consist of fifteen regional transit authorities and operate similar to private sector companies and the business-type activities described above. The separately audited financial statements of MassDOT's component units may be obtained by directly contacting the various entities.

The fifteen regional transit authorities are as follows:

Berkshire Regional Transit Authority
Brockton Area Transit Authority
Cape Ann Transportation Authority
Cape Cod Regional Transit Authority
Franklin Regional Transit Authority
Greater Attleboro/Taunton Regional Transit Authority
Lowell Regional Transit Authority
Martha's Vineyard Transit Authority
Merrimack Valley Regional Transit Authority
Metrowest Regional Transit Authority
Montachusett Regional Transit Authority
Nantucket Regional Transit Authority
Pioneer Valley Transit Authority
Southeastern Regional Transit Authority
Worcester Regional Transit Authority

Fund Financial Statements

Users of government financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been allocated to specific projects or activities. MassDOT uses fund accounting to ensure and demonstrate compliance with several finance related legal requirements.

All of the funds of MassDOT can be divided into three categories as follows:

Governmental Funds – Most of the basic services provided by MassDOT are financed through governmental funds, which are defined as a set of accounts, focused on near-term inflows and outflows of resources to be spent. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating MassDOT's near-term financing requirements and it is based on the modified accrual basis of accounting. Such statements provide a detailed short-term view of MassDOT's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include reconciliations to facilitate the comparison. The reconciliations are presented on the page immediately following each respective governmental funds' financial statement.

MassDOT has several governmental funds; two of them, the Massachusetts Transportation Trust Fund (MTTF) and Highway Capital Projects Fund are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds, which primarily consist of federal grant programs, the Motor Vehicle Inspection Trust Fund (MVITF), and the Central Artery/Tunnel Project Repair and Maintenance Trust (CARM) Fund, are aggregated and presented as other governmental funds.

Proprietary Funds – MassDOT maintains two types of proprietary funds. The enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. MassDOT reports the MBTA as a major enterprise fund. An internal service fund is used to account for the Owner Controlled Insurance Program that was established to pay contractors' workers' compensation claims related to the Central Artery/Tunnel Project. The services provided by the internal service fund benefit the governmental function and, as a result, are included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting. As such, there is no reconciliation required between the government-wide financial statements' business-type activities and the proprietary funds financial statements.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside MassDOT. These resources include, but are not limited to fees, fines and investment earnings. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support MassDOT's own programs. The full accrual basis of accounting is used for fiduciary funds.

During fiscal year 2021, MassDOT implemented GASB Statement No. 84, *Fiduciary Activities w*hich established criteria for identifying fiduciary activities. MassDOTs' fiduciary funds are Custodial funds which report resources held temporarily before being passed along to the intended beneficiaries. Refer to Footnote 1(s) for details of the impact of the adoption of this GASB Statement.

Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information

The notes provide additional information that is essential for a full understanding of the data reported in the government-wide and fund financial statements.

The required supplementary information section includes pension schedules related to MassDOT's proportionate share of net pension liability and pension contributions, as required by GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", and Other Post Employment Benefit (OPEB) schedules related to MassDOT's proportionate share of net OPEB liability and OPEB contributions, as required by GASB 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*".

The supplementary information includes a combining balance sheet and a combining schedule of revenues, expenditures and changes in fund balances for MassDOT's general fund (MTTF). The supplementary information provides details for the MTTF's Metropolitan Highway System (MHS), Western Turnpike (WT), Tobin Bridge and Other Operations.

Government-Wide Financial Analysis

Net Position

The following table reflects a condensed statement of net position based on the government-wide financial statements.

Condensed Statement of Net Position
June 30, 2021 and 2020
(in thousands of dollars)

	Governmental activities		Business-type (MBTA) activities		Total primary government		Change year over year	
	2021	2020	2021	2020	2021	2020	Amount	%
Current and noncurrent other assets	$ 2,237,976	2,044,215	2,267,949	1,763,327	4,505,925	3,807,542	698,383	18 %
Capital assets	25,917,821	25,629,396	13,371,289	11,875,355	39,289,110	37,504,751	1,784,359	5 %
Deferred outflows of resources	557,598	364,975	515,425	668,237	1,073,023	1,033,212	39,811	4 %
Total assets & deferred outflows	28,713,395	28,038,586	16,154,663	14,306,919	44,868,058	42,345,505	2,522,553	6 %
Bonds outstanding and notes payable	1,757,608	1,825,254	5,834,867	5,516,228	7,592,475	7,341,482	250,993	3 %
Noncurrent liabilities	2,139,825	1,834,888	3,767,886	4,098,663	5,907,711	5,933,551	(25,840)	— %
Other current liabilities	764,260	591,639	727,640	655,753	1,491,900	1,247,392	244,508	20 %
Deferred inflows of resources	178,570	222,278	677,466	457,423	856,036	679,701	176,335	26 %
Total liabilities & deferred inflows	4,840,263	4,474,059	11,007,859	10,728,067	15,848,122	15,202,126	645,996	4 %
Net position:								
Net investment in capital assets	24,344,993	27,644,190	8,669,906	7,438,829	33,014,899	35,083,019	(2,068,120)	(6)%
Restricted	996,405	949,471	20,902	20,869	1,017,307	970,340	46,967	5 %
Unrestricted (Deficit)	(1,468,266)	(5,029,134)	(3,544,004)	(3,880,846)	(5,012,270)	(8,909,980)	3,897,710	44 %
Total net position	$ 23,873,132	23,564,527	5,146,804	3,578,852	29,019,936	27,143,379	1,876,557	7 %

MassDOT's combined assets and deferred outflows (governmental and business-type activities) exceeded its liabilities and deferred inflows at June 30, 2021 by $29.0 billion (presented as net position). The main component of net position represents the net investment in capital assets, totaling $33.0 billion. The majority of capital assets were transferred to MassDOT by the Commonwealth in fiscal year 2010 as a result of transportation reform pursuant to the enabling legislation M.G.L. Ch.6C; however, the Commonwealth continues to finance the debt for these assets. MassDOT uses these capital assets to service the Commonwealth of Massachusetts; therefore, they are not available for future spending.

Governmental activities current and noncurrent other assets, totaling $2.2 billion, include restricted and non-restricted cash and investments of $1.7 billion, net receivables of $571 million, and other assets of $3.3 million. Governmental activities long-term liabilities, totaling $2.1 billion, include all noncurrent liabilities, excluding the long-term portion of bonds outstanding and notes payable. Noncurrent liabilities in the condensed statement include $135 million of derivative instruments, $171 million in accrued interest on capital appreciation bonds and derivative borrowings, $799 million in net pension liability, $998 million in net OPEB liability, and $35 million in other liabilities.

Other current liabilities totaling $764 million are due within one year, and exclude the current portion of bonds outstanding and notes payable totaling $49 million. Other current liabilities include accounts payable and accrued expenses of $490 million, unearned revenue of $204 million, accrued interest of $30 million, and other liabilities of $40 million. Included within the condensed statement's other liabilities category for both noncurrent liabilities and other current liabilities is environmental remediation, workers' compensation, compensated absences, and claims and judgments.

The increase of $280 million in business-type activities total liabilities and deferred inflows compared to the prior year is attributable to increases in the OPEB and pension obligations, including the related deferred inflows, and an increase in Bonds and Notes payable and other current liabilities. This is offset by an increase in total assets and deferred outflows of $1,848 million. Approximately $1,268 million, or 94%, of the increase in total assets and deferred outflows in business-type activities is attributable to capital assets.

Changes in Net Position

MassDOT's total primary government change in net position, noted on the Condensed Statement of Changes in Net Position, increased by $1.9 billion from fiscal 2020. For fiscal 2021, the governmental activities change in net position amounted to an increase of $294 million primarily related to an increase in operating grants. Also included in this increase is the impact of the implementation of GASB Statement No. 84, *Fiduciary activities*.

The governmental activities change in net position decreased by $78 million compared to the prior year due to an increase in revenue of $386 million and an increase in expenses of $465 million. Capital grants and contributions amounted to $2.3 billion of revenues, or 66% of total governmental activities revenue, an increase from the prior year in the amount of $386 million.

The following table reflects a condensed statement of activities based on the government-wide financial statements.

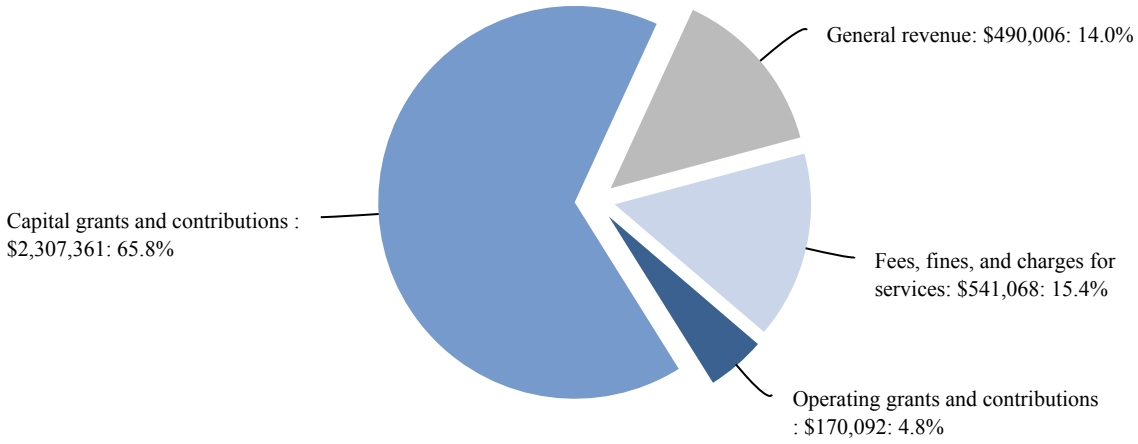
Condensed Statement of Activities
June 30, 2021 and 2020
(in thousands of dollars)

	Governmental Activities		Business-type Activity (MBTA)		Total primary government		Change year over year	
	2021	2020	2021	2020	2021	2020	Amount	%
Revenues:								
Program revenues:								
Fees, fines, and charges for services	$ 541,068	556,301	206,189	632,578	747,257	1,188,879	(441,622)	(37)%
Operating grants and contributions	170,092	179,875	—	—	170,092	179,875	(9,783)	(5)%
Capital grants and contributions	2,307,361	1,921,594	1,213,708	991,626	3,521,069	2,913,220	607,849	21 %
General revenues:								
Operating assistance from the Commonwealth	489,249	463,199	127,000	187,000	616,249	650,199	(33,950)	(5)%
Taxes and assessments	—	—	1,438,400	1,251,706	1,438,400	1,251,706	186,694	15 %
Other income	—	—	924,512	420,418	924,512	420,418	504,094	120 %
Unrestricted investment income	757	1,500	12,582	38,681	13,339	40,181	(26,842)	(67)%
Total revenues	3,508,527	3,122,469	3,922,391	3,522,009	7,430,918	6,644,478	786,440	12 %
Expenses:								
Highway	1,763,270	1,670,159	—	—	1,763,270	1,670,159	93,111	6 %
Planning and Enterprise Services	272,038	263,849	—	—	272,038	263,849	8,189	3 %
Registry of Motor Vehicles	182,380	127,281	—	—	182,380	127,281	55,099	43 %
Rail and Transit	914,967	637,678	—	—	914,967	637,678	277,289	43 %
Aeronautics	14,916	20,486	—	—	14,916	20,486	(5,570)	(27)%
Debt service-interest	66,872	30,466	—	—	66,872	30,466	36,406	119 %
MBTA	—	—	2,354,439	2,416,303	2,354,439	2,416,303	(61,864)	(3)%
Total expenses	3,214,443	2,749,919	2,354,439	2,416,303	5,568,882	5,166,222	402,660	8 %
Change in net position	294,084	372,550	1,567,952	1,105,706	1,862,036	1,478,256	383,780	26 %
Net position – beginning, as restated	23,579,048	23,191,977	3,578,852	2,473,146	27,157,900	25,665,123	1,492,777	6 %
Net position – ending	$23,873,132	23,564,527	5,146,804	3,578,852	29,019,936	27,143,379	1,876,557	7 %

Total Revenues

For fiscal year 2021, total governmental activities revenues ($3.5 billion) were comprised of general revenues ($490 million) and program revenues ($3.0 billion), which include fees, fines and charges for services of $541 million, operating grants and contributions of $170 million and capital grants and contributions of $2.3 billion.

Govermental Activities - Total Revenue
(in thousands of dollars)



The governmental activities overall revenue increased by $386 million, or 12%, from the prior year primarily due to an increase in Capital grants and contributions revenue of $386 million which was then offset by decreases in the other program revenues.

Governmental Activities - Program Revenue
(in thousands of dollars)

	Total		Change year over year	
	2021	2020	Amount	%
Program revenues:				
Fees, fines, and charges for services	$ 541,068	556,301	(15,233)	(3)%
Operating grants and contributions	170,092	179,875	(9,783)	(5)%
Capital grants and contributions	2,307,361	1,921,594	385,767	20 %
General revenue	490,006	464,699	25,307	5 %
	$ 3,508,527	3,122,469	386,058	12 %

Within program revenues, fees, fines, and charges for services amounted to $541 million, which is a $15 million decrease from the prior year. This represents a variety of MassDOT revenues, including tolls ($312 million), rental/lease ($58 million), and departmental revenue, such as advertising and highway-related permit fees ($171 million). The increase in general revenue primarily represents an increase in legislated operational funding from the Commonwealth Transportation Fund (CTF).

Program Revenue - Fees, fines, and charges for services
(in thousands of dollars)

	Total		Change year over year	
	2021	2020	Amount	%
Tolls	$ 312,030	380,573	(68,543)	(18)%
Rental/lease	58,141	58,138	3	— %
Departmental	170,898	117,591	53,307	45 %
	$ 541,069	556,302	(15,233)	(3)%

Operating grants and contributions of $170 million represent both contract assistance for debt service from the Commonwealth, investment earnings and federal grants from various federal agencies, such as Federal Transit Authority, Federal Rail Administration, and Federal Aviation Administration. These contributions are restricted for specific designated purposes and account for approximately 5% of the total MassDOT program revenues. The contributions decreased by approximately $10 million from the prior year mainly due to a year over year decrease in the average MMDT interest rate.

Capital grants and contributions of $2.3 billion include funding from the Commonwealth and federal agencies for projects such as the Accelerated Bridge Program (ABP), Statewide Road and Bridge Program, Chapter 90 Local Aid, Regional Transit Authority capital assistance and other capital programs. The majority of these programs are within the Highway division, which account for $1.4 billion, or 60%, of the overall capital grants

and contributions. The primary factor to cause the Capital grants and contributions to increase by $386 million from the prior year balance was an increase legislated transfers for various highway improvement projects.

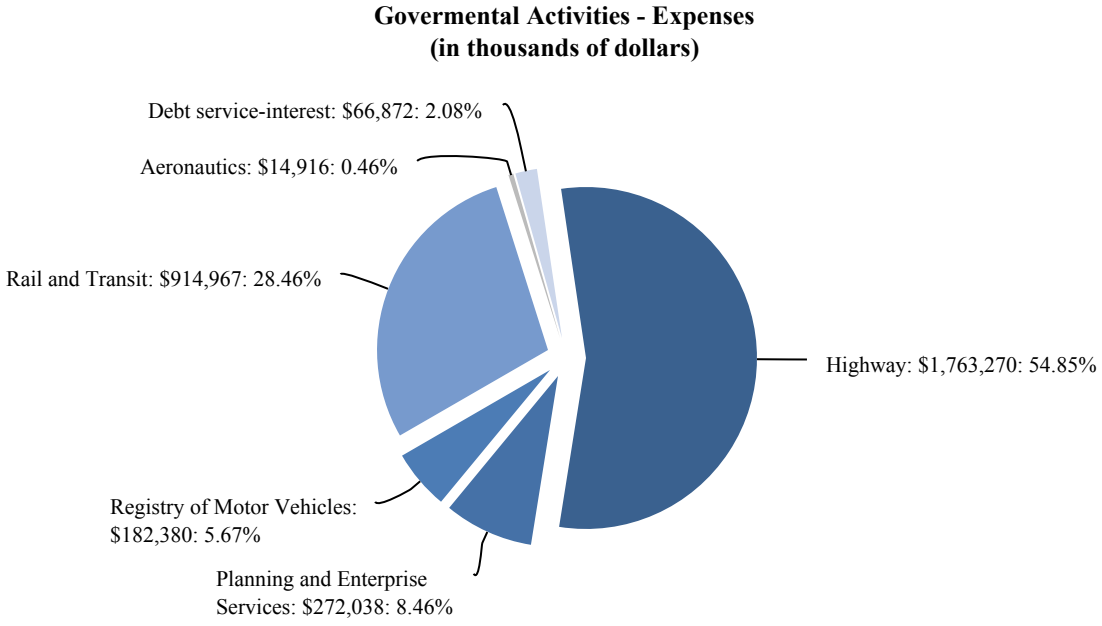
General Revenue

General revenues, totaling $490 million, include operating assistance and contract assistance from the Commonwealth, and investment income, decreased by $25 million from the prior year. In fiscal year 2019 and prior, MassDOT usually received funding subsequent to year-end to cover the snow & ice deficit and provide other operating support. No additional funding was received in both fiscal year 2020 and 2021.

Expenses

For fiscal year 2021, expenses for governmental activities totaled $3.2 billion. The Highway Division's operations continue to be one of the MassDOT's highest priorities and commitments, representing $1.8 billion, or 55%, of the total governmental activities expenses.

The balance of 45% is attributable to Planning and Enterprise Services with $272 million, the Rail and Transit Division with $915 million, and debt service-interest expenses of $67 million. The Registry of Motor Vehicles (RMV) and Aeronautics complete the operational spending pattern with an approximate combined total of $197 million.



Overall, MassDOT's governmental activities expenses increased by $465 million, or 17% from the prior year. Key elements of this change were increases of $93 million and $277 million for Highway activities and Rail & Transit activities respectively. The increase in Highway primarily relates to highway construction projects such as the Route 18 Weymouth and Abington improvement project and the Chelsea viaduct rehabilitation project while the increase in Rail & Transit attributable to rail construction projects such as the South Coast Rail and Green line extension projects.

Governmental Activities - Expenses
(in thousands of dollars)

	Total		Change year over year	
	2021	2020	Amount	%
Highway	$ 1,763,270	1,670,159	93,111	6 %
Planning and Enterprise Services	272,038	263,849	8,189	3 %
Registry of Motor Vehicles	182,380	127,281	55,099	43 %
Rail and Transit	914,967	637,678	277,289	43 %
Aeronautics	14,916	20,486	(5,570)	(27)%
Debt service-interest	66,872	30,466	36,406	119 %
	$ 3,214,443	2,749,919	464,524	17 %

Business-Type Activity

The net position for business-type activities is $5.1 billion, an increase of $1,568 million from the prior year, compared to an increase of $1,106 million in the prior year. The year over year increase is primarily due to an increase in Federal COVID-19 Assistance of $584 million, increase in other dedicated sales tax revenue of $183 million, a decrease in pension expense of $59 million and a decrease in other postemployment benefits of $60 million.

Government Funds Financial Analysis

As noted earlier, MassDOT uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

As of June 30, 2021, MassDOT's governmental funds (MTTF, Highway Capital Projects, and other governmental) reported a combined ending fund balance of $1.4 billion. Of this amount, $3.3 million is nonspendable and relates to prepaid expenditures. The majority of the remaining fund balance of $1.4 billion is restricted, which consists of debt service payments and grants or bonded projects that are restricted by external sources and other purposes such as insurance reserve and turnpike operations. Approximately $887 thousand of the fund balance is assigned leaving a $90 million unassigned fund balance. All these funds are incorporated in the annual budget and approved by the MassDOT Board of Directors. The MTTF (general fund) is the chief operating fund of MassDOT. As of June 30, 2021, the total fund balance was $998 million, comprised of $905 million restricted, $3.3 million nonspendable (prepaid expenditures), and $90 million unassigned.

In addition to the MTTF, MassDOT established the Highway Capital Projects Fund as a major governmental fund. The Highway Capital Projects Fund accounts for highway construction projects financed primarily through federal reimbursements passed through the Commonwealth and contract assistance payments received directly from the Commonwealth. As of June 30, 2021, the total fund balance was $74 million, similar to the prior fiscal year.

The other governmental funds are special revenue funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or

capital projects. Projects within this category include federal grants, MVITF activity, and the CARM. As of June 30, 2021, the total fund balance was $377 million.

Proprietary Funds

The Proprietary Funds Statement of Fund Net Position provides the same type of information found in the government-wide statements, but in more detail. MassDOT's proprietary funds include the MBTA (a blended component unit) as a major enterprise fund, and the Owner Controlled Insurance Program (OCIP), an internal service fund.

The net position of the MBTA at the end of the year totaled $5.1 billion, which consisted of $8.7 billion in net investment in capital asssets, $21 million restricted for other purposes, and an unrestricted net deficit of $3.5 billion. OCIP's net position at the end of the year totaled $3.0 million, which is considered restricted for purposes of this activity.

Fiduciary Funds

The Fiduciary Funds Statement of Fund Net Position provides the same type of information found in the government-wide statements and are reported using accrual accounting. MassDOT's fiduciary funds are Custodial funds and are excluded from the government-wide financial statements because the resources of these funds are not available to support MassDOT's activities. This includes revenues such as assessments, taxes, federal revenues that are held for the benefit of the Regional Transit Authorities, Regional Airports, individuals, organizations and other entities that are not part of MassDOT.

The net position of the custodial funds at the end of the year totaled $6.9 million.

Governmental Funds – MTTF General Fund

MTTF Revenues

MTTF (General fund) revenues totaled $1.09 billion in fiscal 2021, a decrease of $3 million, or 0%, from fiscal 2020. The CTF revenues of $614 million and toll revenues of $314 million combine for 85% of the total revenues. The remaining 15%, or $161 million, consists of rental/lease revenue, investment income, advertising, highway related permits, and other fees.

The CTF revenues include $100 million dedicated for MHS bonds (through Chapter 27, Section 9 of the Acts of 2009), $25 million for the operations and maintenance of portions of the Central Artery and the Central Artery North Area, and $489 million for operations. The operational funding included $506 million for MassDOT operations, $94 million for RTA's contract assistance, and $11 million for the Merit Rating Board.

MTTF General Fund - Revenue
(in thousands of dollars)

	Total		Change year over year	
	2021	2020	Amount	%
Tolls	$ 314,255	355,100	(40,845)	(12)%
Commonwealth Transportation Fund	614,249	616,149	(1,900)	— %
Other (grants, rental/lease, departmental/other)	161,158	121,763	39,395	32 %
	$ 1,089,662	1,093,012	(3,350)	— %

The $314 million in toll revenue consists of pledged revenue of $145 million for Metropolitan Highway System and unpledged revenue of $135 million for Western Turnpike and $34 million for the Tobin Bridge operations.

MTTF General Fund Toll Revenue by Roadway
(in thousands of dollars)

	Total		Change year over year	
	2021	2020	Amount	%
Metropolitan Highway System	$ 144,694	185,621	(40,927)	(22)%
Western Turnpike	135,344	135,169	175	— %
Tobin Bridge	34,217	34,310	(93)	— %
	$ 314,255	355,100	(40,845)	(12)%

MTTF Expenditures

During fiscal 2021, the general fund's total expenditures increased by 7% from the prior year. The increase relates mainly to Highway division, Registry of Motor Vehicles and Rail & Transit expenditures.

MTTF General Fund Expenditures
(in thousands of dollars)

	Total		Change year over year	
	2021	2020	Amount	%
Highway	$ 568,291	553,010	15,281	3 %
Planning and Enterprise Services	143,991	133,287	10,704	8 %
Registry of Motor Vehicles	159,933	105,099	54,834	52 %
Rail and Transit	97,186	94,672	2,514	3 %
Aeronautics	2,506	2,767	(261)	(9)%
Debt Service	145,248	154,753	(9,505)	(6)%
Totals	$ 1,117,155	1,043,588	73,567	7 %

MTTF Budgetary Highlights

Funding for MassDOT's general fund (MTTF) operations is dependent in part upon operating assistance from the Commonwealth of Massachusetts' CTF, toll operations, and other departmental revenues.

MassDOT submits its MTTF budget to the Standing Committee on Finance and Audit for review and to the MassDOT Board of Directors for final approval. The Board approved a $980 million operating budget to cover fiscal year 2021 operations.

The Transportation Finance Act (Chapter 46 of the Acts of 2013) allows MassDOT to transfer excess revenues from the MVITF to the MTTF, providing all expenses of the motor vehicle inspection program are met. In fiscal year 2021, MassDOT transferred $36 million from the MVITF to the MTTF to fund a portion of operations.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2021, MassDOT's combined capital assets totaling $39.3 billion (net of depreciation) consisted of $25.9 billion in governmental activities and $13.4 billion in business-type activities. This total amount represents a net increase (including additions and deductions) of $1,480 million, or 4.1% percent, over last year. MassDOT's capital assets include land, construction in progress, infrastructure, buildings and equipment, vehicles, and software as shown in the table below.

MassDOT Capital Assets - At Year End, Net of Depreciation
(in thousands of dollars)

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 1,069,956	1,058,959	410,634	393,845	1,480,590	1,452,804
Construction in progress	9,916,919	9,650,149	4,095,064	4,400,499	14,011,983	14,050,648
Infrastructure	14,845,653	14,831,200	7,162,261	5,741,642	22,007,914	20,572,842
Buildings and equipment	70,824	72,461	1,703,330	1,339,369	1,774,154	1,411,830
Vehicles	12,466	13,237	—	—	12,466	13,237
Software	2,003	3,390	—	—	2,003	3,390
Total	$ 25,917,821	25,629,396	13,371,289	11,875,355	39,289,110	37,504,751

Within governmental activities, construction in progress (CIP) increased by $267 million due to additions to on-going CIP projects, which include assets related to the Accelerated Bridge Program and Highway Repair Projects such as the Chelsea route 1 Viaduct rehabilitation, Weymouth-Abington route 18 reconstruction, Southborough-Westborough Bridge rehabilitation, Danvers and Haverhill Bridge replacement amongst others.

The governmental activities net book value of infrastructure increased as well due to capital projects completed during the year and now classified as infrastructure. Such projects include the Concord-Lincoln access highway improvements, Chelmsford-Tewksbury interstate maintenance , Oak Bluffs-Tisbury bridge replacement.

Additional information on MassDOT's capital assets can be found in notes 4 and 20.

Debt

At year-end, MassDOT had $6.94 billion in outstanding bonds and notes compared to $6.74 billion last year. During fiscal 2021, the MBTA issued Senior Subordinated Sales Tax Bond Subseries 2021 A-1 in the amount of $545 million, Subseries 2021 A-2 in the amount of $56 million and Subseries 2021 B in the amount of $50 million.

MassDOT Outstanding Bonds and Notes at Year End
(in thousands of dollars)

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
General Transportation System Bonds (GTS)	$ —	—	121,165	141,585	121,165	141,585
Revenue	1,588,207	1,634,759	4,607,636	4,199,314	6,195,843	5,834,073
Build America Bonds (BABs)	—	—	420,545	428,300	420,545	428,300
Commercial Paper	—	—	200,000	35,000	200,000	35,000
Metropolitan Boston Transit Parking (MBTPC)	—	—	—	304,585	—	304,585
Total	$ 1,588,207	1,634,759	5,349,346	5,108,784	6,937,553	6,743,543

MassDOT maintains bond ratings of A or higher for its governmental activities bonds. The Capital Appreciation Bonds are rated (A+) by Standard & Poor's Corporation (S&P) and Fitch, and (A2) by Moody's Investors Services (Moody's). MassDOT's senior fixed rate bonds are rated (A+) by both S&P and Fitch, and (A2) by Moody's.

Additional information on MassDOT's debt can be found in notes 5 and 21.

Construction Commitments

MassDOT's outstanding commitments for engineering and design and construction contracts were $1.9 billion at June 30, 2021. Major obligations include funding for design and engineering services that support the DOT construction projects as well as the various bridge replacement and critical construction projects in the Highway, Rail, Transit and Aeronautics Divisions. Additionally, there are obligations to the Commonwealth's 351 cities and towns through Municipal Programs that support local transportation infrastructure improvements. Major projects underway include:

- the replacement of the North Washington street Bridge in Boston with a new bridge for the 21st century, a complete street over water that works for people driving, riding the bus, biking, walking, sightseeing, boating, and living nearby
- Chelsea Viaduct Bridge Repairs and Related work on Route 1 over various streets which is a critical step towards meeting MassDOT's bridge condition goals and improving safety and The Maurice J. Tobin Bridge and Deck Repairs which is a rehabilitation in order to remain safe and in service through the 21st Century
- Interstate 495 Bridge Replacement over the Merrimack River project to address structural and functional deficiencies. This project entails replacing and widening existing bridges carrying Interstate 495 northbound and southbound traffic over the Merrimack River in Haverhill
- Highway Lighting LED Replacements and Improvements in the Ted Williams Tunnel (Interstate 90) - Ted Williams Tunnel lights to be upgraded with LED lighting for substantial energy and maintenance savings and enhanced driving conditions.
- MassDOT AET Customer Service Center Contract with TransCore L.P. for the purpose of developing and operating MassDOT's AET Customer Service Center in support of the Toll Collection System

Major commitments also include funding for various collaborations with the MBTA in the amount of $951 million for projects such as the Green Line extension, South Coast Rail, Red and Orange Line infrastructure improvements and the purchase of vehicles and commuter rail coaches.

Economic Factors and Next Year's Budgets and Rates

The MassDOT Board approved an original fiscal year 2022 operating expenditure and debt service obligation budget of $923 million in June 2021, which was revised subsequent to year-end to $988 million. Total revenues which include tolls, fees, permits, court fines, and federal grants are budgeted 4% higher compared to prior year. Total operating and debt expenditures excluding snow & ice are budgeted for a 9% increase.

Future Pronouncements

GASB has issued the following statements, which require adoption subsequent to June 30, 2021 and are applicable to MassDOT. MassDOT has not yet adopted these statements and is currently assessing the impact of each statement.

Statement No.		Adoption Required in Fiscal Year
87	*Leases*	2022
89	*Accounting for Interest Cost Incurred before the End of a Construction Period*	2022
91	*Conduit Debt Obligations*	2023
92	*Omnibus 2020*	2022
93	*Replacement of Interbank Offered Rates*	2022
96	*Subscription-Based Information Technology Arrangements*	2023
97	*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*	2022

Contacting MassDOT's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of MassDOT's finances and to show MassDOT's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to MassDOT's Chief Financial Officer at: 10 Park Plaza, Suite 5450, Boston, Massachusetts, 02116.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2021

(Dollars in thousands)

Assets and Deferred Outflows of Resources	Primary government			Discretely Presented Component units
	Governmental activities	Business-type activities	Total	
Current assets:				
Cash and short-term investments	$ 115,993	651,683	767,676	34,684
Restricted cash and investments	1,468,330	276,147	1,744,477	4,770
Derivative instrument	8,559	—	8,559	—
Receivables, net of allowance for uncollectibles:				
Due from Commonwealth	407,367	135,122	542,489	14,020
Due from federal government	21,699	251,008	272,707	24,921
Other	141,447	62,136	203,583	79,651
Other assets	3,311	58,666	61,977	7,310
Total current assets	2,166,706	1,434,762	3,601,468	165,356
Noncurrent assets:				
Restricted cash and investments	71,270	802,950	874,220	—
Receivables, net of allowance for uncollectibles:				
Due from Commonwealth	—	—	—	3,906
Due from federal government	—	—	—	5,820
Other	—	—	—	20,762
Net OPEB asset	—	—	—	739
Other assets	—	30,237	30,237	528
Capital assets:				
Nondepreciable	10,986,875	4,505,698	15,492,573	48,842
Depreciable, net of accumulated depreciation	14,930,946	8,865,591	23,796,537	476,359
Total noncurrent assets	25,989,091	14,204,476	40,193,567	556,956
Total assets	28,155,797	15,639,238	43,795,035	722,312
Deferred Outflows of Resources:				
Loss on debt refundings	61,883	122,946	184,829	—
Derivative instruments	92,485	6,531	99,016	—
OPEB related	203,156	166,774	369,930	8,132
Pension related	200,074	219,174	419,248	8,528
Total deferred outflows of resources	557,598	515,425	1,073,023	16,660
Total assets and deferred outflows of resources	$ 28,713,395	16,154,663	44,868,058	738,972

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position (continued)

June 30, 2021

(Dollars in thousands)

	Primary government			
	Governmental activities	Business-type activities	Total	Discretely Presented Component units
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable and accrued expenses	$ 490,296	432,208	922,504	60,041
Unearned revenue	204,149	—	204,149	1,492
Accrued interest payable	29,870	107,670	137,540	1,161
Bonds and notes payable	48,559	749,615	798,174	74,661
Other liabilities	39,945	187,762	227,707	5,088
Total current liabilities	812,819	1,477,255	2,290,074	142,443
Noncurrent liabilities:				
Accrued interest	171,456	—	171,456	—
Bonds and notes payable	1,709,049	5,085,252	6,794,301	33,749
Liability for derivative instruments	135,201	6,780	141,981	—
Capital lease obligations	—	72,796	72,796	—
Net pension liability	799,297	1,414,429	2,213,726	35,237
Net OPEB liability	998,381	2,135,831	3,134,212	57,785
Other liabilities	35,490	105,808	141,298	7,360
Unearned revenue	—	32,242	32,242	3,614
Total noncurrent liabilities	3,848,874	8,853,138	12,702,012	137,745
Total liabilities	4,661,693	10,330,393	14,992,086	280,188
Deferred Inflows of Resources:				
Debt instruments	—	149	149	—
OPEB related	153,958	529,504	683,462	3,282
Pension related	24,612	147,813	172,425	10,938
Total deferred inflows of resources	$ 178,570	677,466	856,036	14,220
Total liabilities and deferred inflows of resources	$ 4,840,263	11,007,859	15,848,122	294,408
Net Position				
Net investment in capital assets	24,344,993	8,669,906	33,014,899	528,828
Restricted	996,405	20,902	1,017,307	8,358
Unrestricted (Deficit)	(1,468,266)	(3,544,004)	(5,012,270)	(92,673)
Total net position	$ 23,873,132	5,146,804	29,019,936	444,513

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Activities

Fiscal year ended June 30, 2021
(Dollars in thousands)

		Program revenues			Net (expense)/revenue and changes in net position			
					Primary government			
Functions/program	Expenses	Fees, fines, and charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	Component units
Primary government:								
Governmental activities:								
Highway	$ 1,763,270	359,722	33,505	1,390,368	20,325	—	20,325	—
Planning and Enterprise Services	272,038	142,887	3,582	117,318	(8,251)	—	(8,251)	—
Registry of motor vehicles	182,380	30,226	1,920	687	(149,547)	—	(149,547)	—
Rail and Transit	914,967	7,728	25,750	787,020	(94,469)	—	(94,469)	—
Aeronautics	14,916	505	42	11,968	(2,401)	—	(2,401)	—
Debt service – interest	66,872	—	105,293	—	38,421	—	38,421	—
Total governmental activities	3,214,443	541,068	170,092	2,307,361	(195,922)	—	(195,922)	—
Business-type activities :								
Massachusetts Bay								
Transportation Authority	2,354,439	206,189	—	1,213,708	—	(934,542)	(934,542)	—
Total primary government	$ 5,568,882	747,257	170,092	3,521,069	(195,922)	(934,542)	(1,130,464)	—
Component units:								
Aggregate component units	$ 431,045	159,057	208,901	63,186				99
General revenues:								
Operating assistance from the Commonwealth					$ 489,249	127,000	616,249	—
Taxes and assessments					—	1,438,400	1,438,400	—
Federal Pandemic Assistance					—	933,024	933,024	—
Other income (expense)					—	(8,512)	(8,512)	—
Unrestricted investment income					757	12,582	13,339	—
Total general revenues					490,006	2,502,494	2,992,500	—
Change in net position					294,084	1,567,952	1,862,036	99
Net Position – beginning of year, as restated					23,579,048	3,578,852	27,157,900	444,414
Net Position – end of year					$ 23,873,132	5,146,804	29,019,936	444,513

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)
Governmental Funds Balance Sheet
June 30, 2021
(Dollars in thousands)

Assets	MTTF (General)	Highway capital projects	Other governmental funds	Total governmental funds
Cash and short-term investments	$ 113,439	—	2,554	115,993
Restricted cash and investments	1,108,873	73,952	352,512	1,535,337
Receivables, net of allowance for uncollectibles:				
Due from Commonwealth	—	407,367	—	407,367
Due from federal government	—	—	21,699	21,699
Other	130,915	—	10,532	141,447
Other assets	3,311	—	—	3,311
Total assets	1,356,538	481,319	387,297	2,225,154
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable and accrued expenditures	72,667	407,367	10,264	490,298
Unearned revenue	204,150	—	—	204,150
Total liabilities	276,817	407,367	10,264	694,448
Deferred Inflows of Resources:				
Unavailable Revenue	81,713	—	—	81,713
Fund balances:				
Nonspendable	3,311	—	—	3,311
Restricted	904,687	73,952	376,146	1,354,785
Assigned	—	—	887	887
Unassigned	90,010	—	—	90,010
Total fund balances	998,008	73,952	377,033	1,448,993
Total liabilities, deferred inflows of resources, and fund balances	$ 1,356,538	481,319	387,297	2,225,154

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position
June 30, 2021
(Dollars in thousands)

Total governmental fund balances:	$	1,448,993
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		25,917,821
Receivables that are measurable but not available are reported as deferred inflows of resources in the governmental funds but recognized as revenue on a full accrual basis.		81,713
Capitalized loss on debt refunding in governmental activities that is not capitalized at a fund level in the governmental funds.		61,883
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.		(201,322)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable, net		(1,757,608)
Workers' compensation claims		(18,862)
Other claims and judgments		(384)
Compensated absences		(53,039)
Environmental remediation		(1,920)
Derivative instruments, net of deferred inflows and outflows		(34,157)
Net pension liability, net of deferred inflows and outflows		(623,835)
Net OPEB liability, net of deferred inflows and outflows		(949,183)
An internal service fund is used by management to manage its OCIP program related to the central artery construction project. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		3,032
Net position of governmental activities	$	23,873,132

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal year ended June 30, 2021
(Dollars in thousands)

	MTTF (General)	Highway capital projects	Other governmental funds	Total governmental funds
Revenues:				
Toll revenue:				
Pledged as security for revenue bonds	$ 144,694	—	—	144,694
Unpledged	169,561	—	—	169,561
Commonwealth transportation fund:				
Operations	489,249	—	—	489,249
Metropolitan highway system bonds	100,000	—	—	100,000
Central artery operations and maintenance	25,000	—	—	25,000
Commonwealth grants and contract assistance	—	1,673,727	3,432	1,677,159
Federal grants and reimbursements:				
Passed through the Commonwealth	—	633,495	—	633,495
Direct	—	—	25,615	25,615
Rental/lease income	57,450	692	—	58,142
Investment income	4,708	137	2,064	6,909
Departmental and other	99,000	37	71,860	170,897
Total revenues	1,089,662	2,308,088	102,971	3,500,721
Expenditures:				
Current:				
Highway	568,291	1,390,668	28,553	1,987,512
Planning and Enterprise Services	143,991	117,355	922	262,268
Registry of motor vehicles	159,933	687	13,491	174,111
Rail and Transit	97,186	787,269	18,757	903,212
Aeronautics	2,506	11,972	—	14,478
Debt service:				
Principal	47,765	—	—	47,765
Interest	97,483	—	—	97,483
Total expenditures	1,117,155	2,307,951	61,723	3,486,829
Excess (Deficiency) of revenues over expenditures	(27,493)	137	41,248	13,892
Other financing sources (uses):				
Transfers in	35,584	—	—	35,584
Transfers out	—	—	(35,584)	(35,584)
Total other financing sources (uses)	35,584	—	(35,584)	—
Net change in fund balances	8,091	137	5,664	13,892
Fund balances at beginning of year, as restated	989,917	73,815	371,369	1,435,101
Fund balances at end of year	$ 998,008	73,952	377,033	1,448,993

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

(A Component Unit of the Commonwealth of Massachusetts)

Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities

Fiscal year ended June 30, 2021

(Dollars in thousands)

Net change in fund balances – total governmental funds	$	13,892
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period:		
Capital outlays		929,927
Depreciation		(641,502)
Certain revenues in the statement of activities that do not provide current financial resources are not recognized in the statement of revenues, expenditures and changes in fund balances. As a result, the recognition of revenue for certain accounts receivable differ between the two statements. This amount represents the net change in deferred inflows of resources		(2,219)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also,governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
These amounts represent the related activity of the current period:		
Bond maturities		47,765
Amortization of premiums		21,584
Amortization of deferred losses on refunding transactions		(4,647)
Amortization of bond discounts		(490)
Amortization of swap payments received		112
Derivatives are reported in the government-wide statements but are not reported in the governmental liability for funds. This amount represents the net changes in the derivative instruments.		3,043
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.		11,434
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
These amounts represent the net changes in accruals:		
Net pension liability, net of deferred inflows and outflows		(55,711)
Net OPEB liability, net of deferred inflows and outflows		(25,035)
Workers' compensation		2,287
Claims and judgments		60
Compensated absences		(6,384)
Environmental remediation		(317)
An internal service fund is used by management to manage its OCIP program related to the central artery construction project. The net activity of the internal service fund is reported with governmental activities.		285
Changes in net position of governmental activities	$	294,084

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Proprietary Funds
Statement of Net Position
June 30, 2021
(Dollars in thousands)

	Business-type activities - enterprise fund	Governmental activities - internal service fund
Assets and Deferred Outflows of Resources	**MBTA**	
Current assets:		
Unrestricted cash and short-term investments	$ 651,683	—
Restricted cash and investments	276,147	4,262
Receivables, net of allowance for uncollectibles:		
Due from Commonwealth	135,122	—
Due from federal government	251,008	—
Other	62,136	—
Other assets	58,666	—
Total current assets	1,434,762	4,262
Noncurrent assets:		
Restricted cash and investments	802,950	—
Other assets	30,237	—
Capital assets:		
Nondepreciable	4,505,698	—
Depreciable, net of accumulated depreciation	8,865,591	—
Total noncurrent assets	14,204,476	—
Total assets	15,639,238	4,262
Deferred Outflows of Resources:		
Loss on debt refundings	122,946	—
Derivative related	6,531	—
OPEB related	166,774	—
Pension related	219,174	—
Total deferred outflows of resources	515,425	—
Total assets and deferred outflows of resources	16,154,663	4,262
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued expenses	432,208	—
Accrued interest	107,670	—
Bonds payable	749,615	—
Other liabilities	187,762	—
Total current liabilities	1,477,255	—
Noncurrent liabilities:		
Accrued liabilities	105,808	—
Bonds payable	5,085,252	—
Capital lease obligations	72,796	—
Net pension obligation	1,414,429	—
Net OPEB obligation	2,135,831	—
Liability for derivative instruments	6,780	—
Other liabilities	—	1,230
Unearned revenue	32,242	—
Total noncurrent liabilities	8,853,138	1,230
Total liabilities	10,330,393	1,230
Deferred Inflows of Resources:		
Debt instruments	149	—
OPEB related	529,504	—
Pension related	147,813	—
Total liabilities and deferred inflows of resources	11,007,859	—
Fund Net Position		
Net investment in capital assets	8,669,906	—
Restricted	20,902	3,032
Unrestricted	(3,544,004)	—
Total fund net position	$ 5,146,804	3,032

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

Fiscal year ended June 30, 2021

(Dollars in thousands)

	Business-type activities - enterprise fund	Governmental activities - internal service fund
	MBTA	
Operating revenues:		
Revenue from transportation	$ 206,189	—
Operating expenses:		
Salaries and benefits	838,897	—
Materials, supplies and services	288,865	—
Injuries and damages	17,077	(260)
Commuter railroad and local subsidy expense	542,226	—
Other	5,471	—
Depreciation and amortization	439,544	—
Total operating expenses	2,132,080	(260)
Operating income (loss)	(1,925,891)	260
Nonoperating revenues (expenses):		
Dedicated sales tax	1,260,539	—
Contract assistance – Commonwealth of Massachusetts	127,000	—
Dedicated local assessments	177,861	—
Fair value change in investment derivatives	(18,868)	—
Federal Cares Act Assistance	933,024	—
Other nonoperating income	10,356	—
Interest income	12,582	25
Interest expense	(222,359)	—
Total nonoperating revenues (expenses), net	2,280,135	25
Gain before capital grants and contributions and transfers	354,244	285
Capital grants and contributions	1,213,708	—
Increase in net position	1,567,952	285
Net position at beginning of year	3,578,852	2,747
Net position at end of year	$ 5,146,804	3,032

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Proprietary Funds

Statement of Cash Flows

Fiscal year ended June 30, 2021
(Dollars in thousands)

	Business-type activities - enterprise fund	Governmental activities - internal service fund
	MBTA	
Cash flows from operating activities:		
Receipts from customers and users	$ 154,994	—
Receipts from other operations	57,355	—
Payments to suppliers and vendors	(967,011)	—
Payments to employees	(598,769)	—
Net cash used in operating activities	(1,353,431)	—
Cash flows from capital and related financing activities:		
Additions to transportation property	(1,961,488)	—
Interest paid	(223,452)	—
Decrease in deferred credits/charges	(22,338)	—
Commercial paper retirements	165,000	—
Payments on debt	(636,122)	—
Proceeds from bond and note issuances	651,221	—
Proceeds from bond premiums	124,324	—
Capital grants	1,183,687	—
Other	(3,054)	—
Net cash used in capital and related financing activities	(722.222)	—
Cash flows from noncapital financing activities:		
Sales tax, contract assistance and local assessment	1,612,063	—
Federal Cares Act Assistance	842.286	—
Net cash provided by noncapital financing activities	2,454,349	—
Cash flows from investing activities:		
Investment and other income	25,016	75
Net cash provided by investing activities	25,016	75
Net change in cash and short-term investments	403,712	75
Cash and cash equivalents, restricted and other special accounts, beginning of year	524,118	4,162
Cash and cash equivalents, restricted and other special accounts, end of year	$ 927,830	4,237
Reconciliation of operating (loss) income to net cash used in operating activities:		
Operating (loss) income	$ (1,925.891)	260
Charges not requiring current expenditure of cash:		
Depreciation and amortization	439,544	—
Increase in pension liability	50,471	—
Decrease in net OPEB liability	(1,014)	—
Changes in all other working capital accounts, except cash and cash equivalents and short-term debt	83,459	(70)
Total adjustments	572,460	(70)
Net cash used in operating activities	$ (1,353,431)	190

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Fiduciary Funds

Statement of Fiduciary Net Position

Fiscal year ended June 30, 2021
(Dollars in thousands)

	Custodial Funds
Assets	
Cash and short-term investments	$ 34,138
Total assets	34,138
Liabilities	
Other liabilities	30,315
Total liabilities	30,315
Net Position	
Restricted for:	
Real estate	3,611
Other governments	212
Total Net Position	$ 3,823

See accompanying notes to financial statements.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Fiduciary Funds
Statement of Fiduciary Changes in Net Position
June 30, 2021
(Dollars in thousands)

	Custodial Funds
Additions	
Collections for Regional Airports	$ 49,969
Toll Collections for other Governments	181,574
Real estate escrow collections	1,321
Miscellaneous	6
Total additions	232,870
Deductions	
Disbursements to Regional Airports	49,969
Toll payments to other governments	181,555
Real estate escrows	1,512
Total deductions	233,036
Change in Net Position	(166)
Net position - beginning, as restated	3,989
Net position - ending	$ 3,823

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

The Massachusetts Department of Transportation (MassDOT) was established by Chapter 25 of the Acts of 2009 of the Commonwealth of Massachusetts (as amended, the Transportation Reform Act), which was enacted and approved in June 2009. The Transportation Reform Act was designed to reform the transportation system of the Commonwealth of Massachusetts (the Commonwealth) and created the new authority, MassDOT, through enactment of Chapter 6C of Massachusetts General Laws (the Enabling Act). MassDOT has a separate legal existence from the Commonwealth and is governed by a board appointed by the Governor. The Governor has appointed a Secretary of MassDOT, who serves as MassDOT's chief executive officer.

MassDOT is governed by an eleven member board, including the Secretary of Transportation who serves as ex officio chair. Ten members are appointed by the Governor. Four members, other than the chair, serve for terms that are coterminous with the Governor. The remaining six members serve for a four–year term. The Board of Directors of MassDOT was authorized to begin exercising its powers on November 1, 2009.

MassDOT was created through the transfer of the assets, liabilities and equity of:

1. The former Massachusetts Turnpike Authority (including both the Metropolitan Highway System and the Western Turnpike), which was dissolved as part of the legislation

    a. The Metropolitan Highway System comprises the Boston Extension of the Turnpike, the Callahan Tunnel, the Central Artery/Tunnel (CA/T Project), the Central Artery North Area (CANA), the Sumner Tunnel and the Ted Williams Tunnel. The Western Turnpike consists of that portion of the Turnpike extending from the New York border in the Town of West Stockbridge to Route 128 in Weston.

    b. MassDOT assumed the rights, powers, and duties of the former Massachusetts Turnpike Authority upon the November 1, 2009 transfer.

2. The operations of the Massachusetts Highway Department of the Commonwealth

3. The operations of the Massachusetts Aeronautic Commission

4. The operations of the Registry of Motor Vehicles of the Commonwealth

5. The operations of the Executive Office of Transportation of the Commonwealth

6. Certain assets of the Department of Conservation and Recreation (DCR) of the Commonwealth

In addition, the Tobin Bridge (including its associated land and buildings) was transferred from the Massachusetts Port Authority (effective January 1, 2010).

The Merit Rating Board was transferred to MassDOT's Registry of Motor Vehicles division via Chapter 68, Section 8 of the Acts of 2011.

MassDOT has four divisions, including Highway, Rail and Transit, Aeronautics, and the Registry of Motor Vehicles, which includes the Merit Rating Board, that share administrative functions such as human resources, financial management, information technology, and planning through the shared services division, Planning and Enterprise Services (formerly the Office of the Secretary). Each division is headed by an administrator appointed by the Secretary of MassDOT.

The Enabling Act established the Massachusetts Transportation Trust Fund (MTTF) within MassDOT, into which all bridge, tunnel and highway tolls, together with certain other funds, are deposited. Transit fares of the Massachusetts Bay Transportation Authority (MBTA) may be deposited into the MTTF upon agreement of MassDOT and the MBTA.

The MTTF is to be used for operations, maintenance and capital costs related to the transportation assets under MassDOT's jurisdiction, including MBTA assets and assets of MassDOT transferred pursuant to the legislation, as well as debt service on outstanding MassDOT debt (previously held by the dissolved Massachusetts Turnpike Authority). MassDOT debt is not debt of the Commonwealth. The MTTF is not subject to appropriation and year-end balances do not revert to the Commonwealth.

Other activities transferred from the Commonwealth to MassDOT include the following: (1) the Central Artery and Statewide Road and Bridge Infrastructure Fund; (2) the Central Artery Repairs and Maintenance Trust Fund; (3) the Highway Capital Projects Fund; (4) the Federal Highway Construction Program; (5) the Motor Vehicle Inspection Trust Fund; (6) the Owner Controlled Insurance Program (OCIP) Fund related to the Central Artery/Tunnel Project and (7) various other administrative trusts transferred from the Commonwealth.

The Enabling Act contemplated that the Legislature of the Commonwealth will continue to make capital appropriations for transportation improvements and that such appropriations will continue to be funded through the issuance of Commonwealth debt by the State Treasurer. Outstanding capital spending authorizations are to be made available to MassDOT by the Commonwealth's Secretary of Administration and Finance.

The Enabling Act also established the Commonwealth Transportation Fund (CTF) as a budgetary fund of the Commonwealth for transportation-related purposes, which receives essentially the same revenues that were previously deposited into the Commonwealth's Highway Fund, including gasoline tax receipts and registry fees. The CTF is subject to appropriation by the Legislature and shall be used for transportation related expenses of the executive office of transportation or any successor agency or authority. In addition, it may pay or reimburse the Commonwealth's General Fund for payment of debt service on bonds issued by or otherwise payable pursuant to a lease or other contract assistance agreement by the Commonwealth for transportation purposes.

Legislation approved by the Governor in fiscal year 2013 provides that the CTF will also receive monies received from sales of motor vehicles and taxes imposed as excises upon sale and use at retail of motor vehicles dedicated to transportation purposes, with a guaranteed annual payment of $275,000. The guaranteed amount of $275,000 includes $100,000 earmarked for MassDOT debt service, $160,000 earmarked for the MBTA, and $15,000 earmarked for the regional transit authorities. In addition, the CTF is used to pay debt service (present and future) associated with highway maintenance and construction projects and provides the funding of MassDOT's annual operating budget. For fiscal year 2021, MassDOT received $614,249 from the CTF which was comprised of $395,249 for operations, $100,000 for debt service, $94,000 earmarked for the regional

transit authorities, and $25,000 reimbursement for the cost of the operation and maintenance of the CA/T Project and CANA as authorized by Chapter 235 of the Acts of 1998.

Chapter 194 of the Acts of 2011 established the Transportation Infrastructure and Development Fund for "the purpose of transportation and related infrastructure projects" with the provision that not less than 50 percent shall be dedicated to supplementing construction and reconstruction of municipal ways. The primary source of funding consists of disbursements from the Commonwealth's Gaming Revenue Fund. For fiscal year 2021, MassDOT received $0.

MassDOT is a component unit of the Commonwealth and its financial statements are incorporated into the financial statements of the Commonwealth.

(b) Basis of Presentation

The accompanying financial statements of MassDOT have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, MassDOT has included all funds, organizations, agencies, boards and commissions considered part of the MassDOT legal entity. MassDOT has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with MassDOT is such that exclusion would cause MassDOT's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present MassDOT (the primary government) and its component units. The information pertaining to the primary government appears in footnotes 1 through 14.

Blended Component Units – Blended component units are entities that are legally separate from MassDOT, but are so related to MassDOT, that they are, in substance, the same as MassDOT because their governing board is the same as that of MassDOT or the entities provide services entirely or almost entirely to MassDOT. The Massachusetts Bay Transportation Authority (MBTA) is the only legally separate entity that meets the criteria as a blended component unit. The information pertaining to the MBTA appears in footnotes 14 through 27.

Aggregate Discretely Presented Component Units – MassDOT presents the following fifteen (15) regional transit authorities (RTAs) in the aggregate as component units in the accompanying financial statements: Berkshire Regional Transit Authority; Brockton Area Transit Authority; Cape Ann Transportation Authority; Cape Cod Regional Transit Authority; Franklin Regional Transit Authority; Greater Attleboro-Taunton Regional Transit Authority; Lowell Regional Transit Authority; Montachusett Regional Transit Authority; Metrowest Regional Transit Authority; Merrimack Valley Regional Transit Authority; Nantucket Regional Transit Authority; Pioneer Valley Transit Authority; Southeastern Regional Transit Authority; Martha's Vineyard Transit Authority; and the Worcester Regional Transit Authority. MassDOT does not consider any of the discretely presented component units to be major.

The separately audited financial statements of MassDOT's component units may be obtained by directly contacting the various entities.

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all non-fiduciary activities of the primary government and its aggregate discretely presented component units. Primary government activities are defined as either governmental or business-type activities. MassDOT's governmental activities generally are financed through toll revenues, contract assistance from the Commonwealth, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of net position presents all of the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net position results when constraints placed on asset use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is MassDOT's policy to use restricted resources first, then unrestricted resources as needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods or services provided by a given function; (2) grants and contributions that are restricted to meeting the operational requirements of a specific function and (3) grants and contributions that are restricted to meeting the capital requirements of a specific function. Other items not meeting the definition of program revenues are instead reported as general revenue and offset or supplant the net operating deficit or surplus from governmental or business-type activities.

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned. Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities.

Fund Financial Statements

MassDOT reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor funds being combined into a single column.

MassDOT is not required to and does not have a legally adopted annual budget for any of its governmental funds.

(c) Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements account for the general governmental activities of MassDOT. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include expenditure driven federal grants and amounts due from the Commonwealth. MassDOT considers all revenues available if they are collected within 60 days after fiscal year end. For federal expenditure driven grants, revenue is recognized when the qualifying expenditures have been incurred and other eligibility requirements are met and amounts are considered available. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities and expenditures when due. Compensated absences, claims and judgments, termination benefits, and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources.

MassDOT reports the following fund types:

Governmental Fund Types

The General Fund is the primary operating fund of MassDOT. It is used to account for and report all financial resources not accounted for and reported in another fund. The MTTF is considered the general fund for MassDOT.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Within the governmental fund types, MassDOT has established the following major fund, in addition to the MTTF:

Highway Capital Projects, a capital projects fund, accounts for highway construction projects financed primarily through federal reimbursements passed through the Commonwealth and contract assistance payments received directly from the Commonwealth.

Proprietary Fund Types

Proprietary funds account for programs financed in whole or in part by fees charged to external parties for goods and services. MassDOT reports the MBTA (a blended component unit) as a major enterprise fund. MassDOT also operates one internal service fund – the Owner Controlled Insurance Program.

Revenues and expenses of proprietary funds are classified as operating or nonoperating as follows – operating revenues and expenses generally result from providing services or producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Fiduciary Fund Types

Fiduciary funds account for assets held in a trustee capacity for others that cannot be used to support MassDOT's programs.

MassDOT reports a Custodial Fund, which is used to account for assets held for the benefit of other entities, organizations or individuals outside of MassDOT.

(d) Cash and Short-Term Investments

MassDOT's participation in the Massachusetts Municipal Depository Trust (MMDT) Cash Fund is presented as cash and short-term investments (both restricted and unrestricted) in the accompanying financial statements.

MMDT is an internal investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. As such, the Authority reports its investment in MMDT at amortized cost which approximates the net asset value of $1.00 (one dollar) per share. MMDT has a maturity of less than one year and is not rated.

Restricted cash and short-term investments also include certain amounts restricted for use by bond indentures and other external requirements. Such amounts are held by the Treasurer in the MMDT Cash Fund as well as amounts held by bond and other trustees.

(e) Investments

Investment securities are recorded at fair value, based on quoted market price.

The Treasurer of the Commonwealth can hold certain investments on behalf of MassDOT. In the event investments are held by the Treasurer they appear as "Investments" in the accompanying financial statements. Interest earned on specific MassDOT investments is allocated to MassDOT. As of June 30, 2021, the Treasurer held no investments on behalf of MassDOT.

Restricted investments include amounts restricted for use by bond indentures and other external requirements and include certain investments held by bond and other trustees.

For purposes of the statements of cash flows, unrestricted investments purchased with a maturity date of three months or less are considered cash equivalents.

(f) Accounts Receivable

Reimbursements due from the Commonwealth for state and federally funded construction project expenditures are reported as "Due from Commonwealth" in the financial statements and are considered 100% collectible. "Due from federal government" receivables include direct grants or reimbursements and are considered 100% collectible. "Other" receivables include rental/lease receivables and toll related receivables, including postpaid toll transactions and toll violations. Other receivables are reported net of estimated allowances for uncollectible accounts, which are based on historical trends and individual account analysis.

(g) Capital Assets

Capital assets include land, construction in progress, buildings, equipment, vehicles, software and infrastructure (e.g., roads, bridges, ramps, and other similar items). Such assets are reported in the governmental column of the government-wide financial statements. Donated capital assets are recorded at acquisition value at the date of donation. Assets transferred to MassDOT from other governments (subsequent to its formation) are recorded at net carrying value (historical cost less accumulated depreciation) at the date of transfer. Disclosures pertaining to business-type activity capital assets appear in footnotes 15 (g) and 20.

Equipment, vehicles, computer equipment and software purchases that equal or exceed $50 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds $100 are capitalized. All land and non-depreciable land improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Type of asset	Estimated useful life (in years)
Buildings	40
Infrastructure - roads, bridges, and tunnels	40
Equipment	10
Computer hardware and software	3 to 7
Vehicles	5

In the government-wide financial statements, depreciation expense is charged to the function to which the capital assets relate.

Construction in progress includes all associated cumulative costs of a constructed capital asset. Construction in progress is relieved and a depreciable capital asset is reported at the point at which an asset is placed in service for its intended use. Interest incurred during the construction phase of capital assets is not capitalized as the debt related to the construction appears on the books of the Commonwealth.

(h) Fair Value

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that are required to be made at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure the fair value.

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability or similar assets or liabilities either directly or indirectly through corroboration with observable market data.
- Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(i) Other Assets

Other assets consist principally of prepaid expenses.

(j) Unearned Revenue

Unearned revenue in the governmental funds financial statements represents monies received in advance of providing goods or services in accordance with the current financial resources management focus and the modified accrual basis of accounting.

(k) Long-Term Debt

In the government-wide and proprietary funds, long-term debt is reported as liabilities in the statements of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Gains and losses related to refunding transactions are presented as deferred inflows and outflows, respectively, and amortized using the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

In the governmental funds, the face amount of long-term debt is reported as other financing sources when the debt is issued. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as Planning and Enterprise Services expenditures.

(l) Fund Balances

The following fund balance classifications describe the relative strength of spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of MassDOT's Board of Directors, which is the highest level of decision-making authority. Committed amounts may be established, modified, or rescinded only through actions approved by the Board of Directors. At June 30, 2021, MassDOT reported no committed fund balances.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under MassDOT's structure, this intent can be expressed by the Secretary of Transportation (and Chief Executive Officer), Chief Financial Officer and Controller. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

(m) Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at an approved rate of pay.

In the government-wide and proprietary fund statements of net position, compensated absences are recorded as an expense and liability as the benefits accrue.

For the governmental fund financial statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when they become due and payable upon retirement, termination, or death.

(n) Deferred Inflows and Outflows

MassDOT accounts for certain transactions that result in the consumption or acquisition of resources in one period that are applicable to future periods as deferred outflows and deferred inflows, respectively, to distinguish them from assets and liabilities. For fiscal year 2021, MassDOT has reported deferred outflows pertaining to its derivative instruments, deferred losses on its debt refunding transactions, pension related activities and OPEB related activities. Deferred inflows relate to deferred gains on debt refunding transactions, pension related activities and OPEB related activities.

Deferred inflows of resources in the governmental funds financial statements relate to unavailable revenue for CTF operating assistance and toll revenue.

(o) Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and additions to/deductions from SERS's fiduciary net position have been determined on the same basis as they are reported by the SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(p) Other Postemployment Benefits

The Commonwealth of Massachusetts administers a single-employer defined benefit Postemployment Benefits Other Than Pensions (OPEB) Plan. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by the Pension Reserves Investment Management Board (PRIM). The OPEB Plan is reported as an OPEB Trust Fund in the Commonwealth's financial statements and does not issue a stand-alone audited financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Commonwealth of Massachusetts. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(q) Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds. These transactions are reported as transfers in and transfers out.

For the year ended June 30, 2021, MassDOT transferred $35,584 from the other governmental funds' motor vehicle inspection trust fund (MVITF) to the MTTF general fund to ensure the budget included sufficient revenue for MassDOT operations. Chapter 46 of the Acts of 2013 indicates available funds may be transferred "provided, however, that expenses of the administration and implementation of the motor vehicle inspection program" are met first.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(s) Significant new accounting pronouncements

During fiscal year 2021, MassDOT implemented GASB Statement No. 84, *Fiduciary Activities* which established criteria for identifying fiduciary activities of all state and local governments, departments and agencies. The GASB statement introduces a Statement of Changes in Net Position

for the renamed fiduciary activity, custodial funds. Some activity that was recognized as fiduciary activity in prior fiscal years are now classified as governmental activities under this new statement.

Refer to the table below for details of the impact of the adoption of GASB Statement No. 84.

	Governmental Activities	Governmental Funds	Fiduciary Funds
		MTTF (General)	Custodial/ Agency Funds
Fund balance/net position/agency liabilities as of June 30, 2020 as previously reported	$ 23,564,527	$ 975,396	$ —
Implementation of GASB 84:			
Reclassification of fiduciary funds to governmental funds	14,521	14,521	(14,521)
Reclassification of agency liabilities to custodial fund balance	—	—	18,510
Fund balance as of July 1, 2020	$ 23,579,048	$ 989,917	$ 3,989

(2) Deposits and Investments

MassDOT invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Fund. Authorized investments for the MMDT Cash Fund include primarily U.S. government and government agency obligations, certificates of deposits, commercial paper, notes and repurchase agreements, all with maturities of one year or less. MassDOT's investment in MMDT is presented in the accompanying financial statement captions as:

Cash and short-term investments	$ 150,131
Restricted cash and investments	1,306,361
	$ 1,456,492

MassDOT has other investments held by bond and other trustees in accordance with bond indentures and other external requirements. For investments held by trustees, MassDOT has implemented investment policies which incorporate the investment protocols within the Trust Agreements.

In most cases, MassDOT has chosen to limit investments to U.S. Government Treasuries or agencies of the U.S. Government. U.S. Government Agency Obligations purchased may include, but not be limited to, debt issued by: the Student Loan Marketing Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association.

(a) Custodial Credit Risk

At June 30, 2021, all of MassDOT's bank balances were insured and not exposed to custodial credit risk. For deposits held by MMDT Cash Fund, MassDOT had minimal exposure to custodial credit risk.

MassDOT had no custodial credit risk for investments as all investments were either insured or held in MassDOT's name.

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. These investments include certain short-term cash equivalents, various long-term items and restricted assets by maturity in years. MassDOT does not have a formal policy related to interest rate risk.

MassDOT's investments at June 30, 2021 are presented below by investment type and maturity.

		Investments maturities (in years)	
		Less than	
Investment Type	**Fair Value**	**1 year**	**1-5**
U.S. Treasuries	$ 32,536	24,546	7,990
U.S. Agencies	17,031	15,001	2,030
Money market mutual funds	89,778	89,778	—
Private Export Funding Securities	7,210	7,210	—
Guaranteed Investment Contracts	86,684	25,434	61,250
MMDT	1,456,492	1,456,492	—
Total	$ 1,689,731	1,618,461	71,270

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table presents the credit quality ratings of the primary government's fixed income investments at June 30, 2021:

Investment Type	**Fair Value**	**AAA**	**AA1-AA3**	**Unrated**
U.S. Treasuries	$ 32,536	32,536	—	—
U.S. Agencies	17,031	17,031	—	—
Money market mutual funds	89,778	89,778	—	—
Private Export Funding Securities	7,210	7,210	—	—
Guaranteed Investment Contract	86,684	—	86,684	—
MMDT	1,456,492	—	—	1,456,492
Total	$ 1,689,731	146,555	86,684	1,456,492

Although the MMDT Cash Fund is not rated, the cash portfolio may only invest in securities rated in one of the two highest short-term rating categories by nationally recognized statistical rating organizations or unrated securities of comparable quality. Securities rated in the highest short-term rating category (and unrated securities of comparable quality) are identified as First Tier securities. Securities rated in the second highest short-term rating category (and unrated securities of comparable quality) are identified as Second Tier securities. At June 30, 2021, credit ratings associated with the investments of the Cash Fund were either First Tier or Second Tier.

(d) Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. No investment category exceeded 5% of the total investments of the primary government at June 30, 2021.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. MassDOT was not exposed to foreign currency risk as of June 30, 2021.

(f) Restricted Cash and Investments by Fund

The following summarizes restricted cash and investments as of June 30, 2021 by the various funds and accounts established by MassDOT for debt covenant requirements and other purposes:

Held by Treasurer Commonwealth		
General Fund - Toll related accounts as restricted by bond convenants	$	858,088
General Fund - MTTF Other		21,809
Major Capital Projects - Statewide Road and Bridge Program		70,729
Major Capital Projects- - Transportation Infrastructure and Development Fund		3,223
Other Government Funds - Central Artery Repairs and Maintenance		332,171
Other Government Funds - Motor Vehicle Safety Inspection		2,334
Other Governmental Funds - Other		18,007
Held by Bond Trustee		
General - Toll related accounts as restricted by bond covenants		228,977
Held by AIG		
Internal Service Fund - Workers' compensation self - insurance		4,262
	$	1,539,600

(g) Fair Value Hierarchy and Measurements

MassDOT categorizes its fair value measurements within the fair value hierarchy established by GAAP.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

Institutional Money Market Funds – Valued at fair value, which is represented by the quoted price for the fund generally $1.00 (one dollar). Institutional money market funds are generally classified as Level 1.

U.S. Treasury and Agency Securities – Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security and a pricing model maximizing the use of observable inputs determined by investment managers.

- U.S. Treasury Securities consist principally of U.S. Treasury bills, notes and bonds are generally classified as Level 1 of the fair value hierarchy.

- U.S. Government sponsored enterprises securities principally of U.S. Government agency obligations including agency-issued debt, agency mortgage pass-through securities, and agency collateralized mortgage obligation (CMOs) are generally categorized in Level 1 of the fair value hierarchy.

Derivative instruments – MassDOT's interest rate swaps and forward delivery agreements are classified as Level 2 as valued using a market approach that considers benchmark interest rates.

The following summarizes the recurring fair value measurement as of June 30, 2021:

	Fair Value	Level 1	Level 2
Investments by Fair Value Level			
Money Market Mutual Funds	$ 89,778	89,778	—
U.S. Treasuries	32,536	32,536	—
U.S. Agencies	17,031	17,031	—
Private Export Funding Securities	7,210	7,210	—
Total investments by fair value level	146,555	146,555	—
Investments measured at amortized cost			
MMDT	1,456,492		
Guaranteed Investment Contract	86,684		
Total investments	$ 1,689,731		
Derivative instruments			
Interest rate swaps (liabilities)	$ (135,201)	—	(135,201)
Forward delivery agreement	8,559	—	8,559
Total investment derivative instruments	$ (126,642)	—	(126,642)

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates such as LIBOR and SIFMA.

(3) Accounts Receivable

Governmental funds accounts receivable at June 30, 2021 consisted of the following:

	Gross accounts receivable	Allowance for uncollectibles	Net accounts receivable
Due from Commonwealth	$ 407,367	—	407,367
Due from federal government	21,699	—	21,699
Other receivables	175,070	33,623	141,447
	$ 604,136	33,623	570,513

(4) Capital Assets

Capital assets of the governmental activities consisted of the following at June 30, 2021:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated:				
Land	$ 1,058,959	13,944	2,947	1,069,956
Construction in progress	9,650,149	908,519	641,749	9,916,919
Total capital assets, not being depreciated	10,709,108	922,463	644,696	10,986,875
Capital assets, being depreciated:				
Infrastructure	30,248,006	641,868	—	30,889,874
Buildings	171,386	3,912	—	175,298
Equipment	133,715	616	282	134,049
Vehicles	171,051	4,683	1,355	174,379
Software	36,555	1,081	—	37,636
Total capitals assets, being depreciated	30,760,713	652,160	1,637	31,411,236
Less accumulated depreciation for:				
Infrastructure	15,416,806	627,415	—	16,044,221
Buildings	112,589	3,482	—	116,071
Equipment	120,051	2,683	282	122,452
Vehicles	157,814	5,454	1,355	161,913
Software	33,165	2,468	—	35,633
Total accumulated depreciation	15,840,425	641,502	1,637	16,480,290
Total capital assets, being depreciated, net	14,920,288	10,658	—	14,930,946
Capital assets, net	$ 25,629,396	933,121	644,696	25,917,821

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Highway	$ 637,901
Planning and Enterprise Services	2,591
Rail and Transit	1,010
	$ 641,502

(5) Bonds, Notes and Other Long-Term Liabilities

Long-term debt and other long-term liabilities of the governmental activities consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Senior revenue bonds:					
Metropolitan Highway System:					
1997 Series A, Capital Appreciation Bonds (CAB's), 5.60% to 5.65%, issued September 24, 1997, due 2024 to 2029	$ 42,007	–	–	42,007	–
1997 Series C, Capital Appreciation Bonds (CAB's), 5.50% to 5.55% , issued September 24, 1997, due 2016 to 2023	29,153	–	10,215	18,938	9,712
2010 Refunding, Series A, variable rate bonds, issued May 27, 2010, due 2035 to 2037	207,665	–	–	207,665	–
Borrowings related to the associated interest rate swap	2,692	–	112	2,580	117
2019 Refunding, Series A, 5.00%, issued October 23, 2019, due 2021 to 2037	464,650	—	13,335	451,315	15,135
Total senior revenue bonds	746,167	—	23,662	722,505	24,964
Subordinated revenue bonds:					
Metropolitan Highway System:					
2018 Refunding, Series A, 5.00%, issued May 10, 2018, due 2024 to 2029	135,690	—	—	135,690	—
2019 Refunding, Series A, 5.00%, issued January 24, 2019, due 2030 to 2039	371,380	—	—	371,380	—
Borrowings related to the associated interest rate swap	118,992	1,325	—	120,317	—
2019 Refunding, Series B-1, 5.00%, issued January 24, 2019, due 2025 to 2037	51,230	—	—	51,230	—
2019 Refunding, Series B-2, 2.87% to 3.12%, issued January 24, 2019, due 2020 to 2025 (federally taxable)	11,795	—	3,060	8,735	3,145
2019 Refunding, Series C, 5.00%, issued October 23, 2019, due 2021 to 2035	199,505	—	21,155	178,350	20,450
Total subordinated revenue bonds	888,592	1,325	24,215	865,702	23,595
Total	1,634,759	1,325	47,877	1,588,207	48,559
Less: unamortized bond discounts	(3,467)	—	(490)	(2,977)	–
Plus: unamortized premiums	193,962	—	21,584	172,378	–
Total bonds payable	1,825,254	1,325	68,971	1,757,608	48,559
Other noncurrent liabilities:					
Workers' compensation	21,149	4,035	6,322	18,862	6,322
Judgments and claims	1,934	—	320	1,614	384
Compensated absences	46,655	6,384	—	53,039	31,928
Environmental remediation	1,603	616	299	1,920	1,311
Total other	71,341	11,035	6,941	75,435	39,945
Total noncurrent	$ 1,896,595	12,360	75,912	1,833,043	88,504

Interest is payable semiannually on all debt, except on Capital Appreciation Bonds which is accrued over the lives of the Bonds and is payable upon maturity of the Bonds.

Revenue bonds are secured by a lien and pledge of cash and revenues derived from the Metropolitan Highway System. In addition, the Commonwealth has pledged $100,000 per fiscal year until June 30, 2039 to provide contractual assistance with repayment of the bonds. These contractual payments constitute dedicated payments from the Commonwealth that are deposited directly to the Subordinated Debt Service Fund. The Commonwealth has also pledged $25,000 per fiscal year until June 30, 2050 to provide contract assistance toward repayment of the senior bonds (until June 2037) and toward payment of subordinated bonds (until June 2039). These contractual payments constitute dedicated payments from the Commonwealth and are deposited into the Senior Debt Service Fund. The amount of pledged revenue is approximately equal to the remaining principal and interest requirements of the outstanding Metropolitan Highway System bonds and Western Turnpike bonds.

Debt service requirements, excluding derivative borrowings, are as follows:

	Principal	Interest	Total
Year ending June 30,			
2022	$ 48,442	86,611	135,053
2023	49,902	85,356	135,258
2024	51,825	83,146	134,971
2025	54,163	81,547	135,710
2026	76,120	50,521	126,641
2027 - 2031	331,018	319,837	650,855
2032 - 2036	491,460	128,693	620,153
2037 - 2039	362,380	37,356	399,736
Total	$ 1,465,310	873,067	2,338,377

As rates change, interest payments on the 2010 Bonds will vary. Outstanding bonds that are redeemable before their scheduled due dates are as follows at June 30, 2021:

Description	Redemption date	Redemption price	Principal amount outstanding
Metropolitan Highway System:			
2010 Series A - Senior Debt	2035 to 2037	100	$ 207,665
2019 Series A - Subordinated Debt	2023 to 2039	100	371,380
2019 Series B-1 - Subordinated Debt	2029 to 2037	100	44,885
2019 Series A - Senior Debt	2029 to 2037	100	288,870
2019 Series C - Subordinated Debt	2029 to 2035	100	107,090

Demand Bonds

Included in long-term debt is $207,665 of Senior variable rate demand bonds. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The ability of MassDOT, through its Trustee and remarketing agent, to purchase such bonds is secured through letters of credit with various nationally recognized financial institutions that expire between May 2022 and October 2023. Under generally accepted accounting principles, variable rate demand obligations (VRDO's) are generally classified as current, rather than long-term, liabilities if, among other things, the supporting security agreements expire less than one year after year end. If the letters of credit expired less than one year after year end, they are subject to a "Mandatory Tender for Purchase" requirement that results in the VRDO's being treated as long-term debt. As such, these amounts have been presented as long-term liabilities rather than current liabilities in the accompanying financial statements

Prior Defeasances of Debt

At June 30, 2021, the principal amounts outstanding on revenue bonds and notes that are considered defeased are as follows:

Description	Redemption date	Redemption price	Principal amount outstanding
1993 Series A Term	2021 to 2023	100%	$47,250

Derivative Instruments

Interest Rate Swaps/Swaptions

The former Massachusetts Turnpike Authority (the Turnpike) entered into swaptions, which upon exercise became interest rate swaps (hereinafter referred to as Swaps) to (1) lock in long-term fixed rate payments and (2) hedge changes in cash flows on variable-rate bonds due to interest rate risk. As of November 1, 2009 (MassDOT's inception), these Swaps were classified as investment derivatives, as they were not associated with a then existing asset or liability of MassDOT. During the year ended June 30, 2010, these Swaps became associated with and were determined to be effective hedges of the 2010 Series A Senior and Subordinated Revenue Bonds issued by MassDOT to refund long-term debt previously issued by the Turnpike. At June 30, 2021, the remaining Swap continues to be an effective hedge of the refunding bonds.

Additionally, the Turnpike received premiums in connection with these swaps upon issuance of the related swaptions. A portion of the premiums is considered borrowings and is valued separately from the swaps. The balance of the borrowings at June 30, 2021 totals $2,580 and is presented as part of bonds payable in the accompanying government-wide financial statements.

In fiscal year 2019, MassDOT terminated Swap agreements and simultaneously entered into two forward swap contracts that commence January 1, 2023. As part of the swap termination, novation payments were made by two counterparties on behalf of MassDOT and are considered premiums received related to the forward swaps. The on behalf payments/premiums are considered borrowings and are valued separately from the swaps. The balance of the borrowings at June 30, 2021 totals $120,317 and is presented as part of bonds payable in the accompanying government-wide financial statements.

Forward Delivery Agreement

MassDOT's bond trustee has invested certain of the debt service funds it holds through a Forward Delivery Agreement (Agreement). The Agreement, administered by Wells Fargo Bank, N.A., provides MassDOT with a guaranteed rate of return on trustee deposits held for debt payments until such time as payments are due. These deposits are recorded on MassDOT's financial statements at the fair value of the underlying securities provided by Wells Fargo through the Agreement. The Agreement qualifies as an investment derivative instrument and is reported at its fair value of $8,559 as of June 30, 2021. The credit rating of Wells Fargo Bank, N.A. at June 30, 2021, as determined by S&P, was A+.

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2021 financial statements are as follows:

	Changes in fair value		Fair value at June 30, 2021		
	Classification	Amount debit (credit)	Classification	Amount debit (credit)	Notional
Governmental activities:					
Cash flow hedges:					
Pay-fixed and receive-variable interest rate swaps	Deferred outflow	$ (45,875)	Derivative liability	$ (133,011)	$ 561,665
Investment derivatives:					
Pay-fixed and receive-variable interest rate swaps	Investment revenue	(2,434)	Derivative liability	(2,190)	17,380
Subtotal		(48,309)		(135,201)	
Forward delivery agreements	Investment revenue	2,008	Derivative asset	8,559	
		$ (46,301)		$ (126,642)	

The fair values of the interest rate swaps and the Forward Delivery Agreement were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the derivatives.

The following table displays the terms of MassDOT's derivative instruments outstanding at June 30, 2021:

Derivative Item	Type	Objective	Effective Date	Notional amount	Term date	Payable swap rate	Receivable swap rate	Fair value at June 30, 2021
Cash flow hedges:								
1	Pay-fixed interest rate swap	Hedge interest rate risk from 2010 senior debt (Series A-1 and A-2)	7/1/2008	$207,665	1/1/2037	4.750%	68% of 1 month LIBOR (0.06834%) (a)	$ (99,119)
2	Pay-fixed interest rate swap	Hedge interest rate risk from 2019 sub. debt (Series A)	1/1/2023	236,000	1/1/2039	4.750%	68% of 1 month LIBOR	(22,696)
3	Pay-fixed interest rate swap	Hedge interest rate risk from 2019 sub. debt (Series A)	1/1/2023	118,000	1/1/2039	4.750%	68% of 1 month LIBOR	(11,196)
Investment derivatives:								
4	Pay-fixed interest rate swap		1/1/2023	11,587	1/1/2039	4.750%	68% of 1 month LIBOR	(1,473)
5	Pay-fixed interest rate swap		1/1/2023	5,793	1/1/2039	4.750%	68% of 1 month LIBOR	(717)
		Subtotal		$579,045				(135,201)
6	Forward delivery agreement		—	—	1/1/2029	—	Fixed	8,559
								$ (126,642)

(a) - Swap Rates as of June 30, 2021

Swap Payments and Related Debt

The table below shows debt service requirements for the 2019 Series A Subordinated bonds used to refund the 2010 Subordinated Series A-3 through A-6 and suspend the derivatives contract associated with those bonds until January 1, 2023. In addition, the table provides debt service requirements on the 2010 Senior A-1 and A-2 bonds and net swap payments for the cash flow hedge applying the synthetic fixed rate of 4.75% on the 2010 Senior bonds assuming a 68% of 1 month LIBOR rate of (0.11033%) and variable rates of (0.11% and 0.14%) on the 2010 Senior A-1 and A-2 as of June 30, 2021, through the term of the swap. The 2019 Series A Subordinated bonds are reflected at 4.75% since these are fixed rate bonds which will be refunded in 2022 and may cause MassDOT to be

liable for the same terms of the swap that was suspended and associated with the 2010 Subordinated A-3 through A-6 bonds commencing on January 1, 2023 if the swap is not suspended or fully terminated at the point in time.

	Principal	Interest	Interest rate swap, net	Total
2022	$ —	42	9,722	9,764
2023	—	42	9,722	9,764
2024	—	42	27,363	27,405
2025	—	42	27,363	27,405
2026	—	42	27,363	27,405
2027 - 2031	27,380	208	135,988	163,576
2032 - 2036	205,295	204	123,759	329,258
2037 - 2039	346,370	19	30,755	377,144
	$ 579,045	641	392,035	971,721

As rates change, interest payments on the 2010 Bonds and net swap payments will vary.

Risk Disclosures

Credit Risk – MassDOT is not exposed to credit risk on its interest rate swaps as none of these instruments are in an asset position. However, if interest rates and volatilities change and the fair values of the swaps were to become positive, MassDOT would be exposed to credit risk in the amount of the positive fair values. To mitigate credit risk, MassDOT's counterparties are all required to be rated in the A category or higher by the three rating agencies.

The following represents the credit ratings of the swap counter parties at June 30, 2021:

Derivative swap item	Counterparty credit rating(Moody's, S&P and Fitch)
Derivative 1	Aa2, A+, AA-
Derivative 2	Aa3, A+, A+
Derivative 3	A1, A, A+
Derivative 4	Aa3, A+, A+
Derivative 5	A1, A, A+

Basis Risk – MassDOT is exposed to basis risk related to its pay-fixed and receive-variable interest rate basis swaps. The fixed rate MassDOT pays is 4.75% while it receives 68% of 1 month LIBOR.

Tax Risk – If maximum tax rates were to decline, it is possible that the 68% of one month LIBOR the MassDOT receives under the 2001 UBS swap would be less than the amount needed to pay its variable rate bonds. The MassDOT and its financial advisor take this risk into consideration when analyzing the sufficiency of the hedge reserve fund balance.

Termination Risk – MassDOT or the counter party may terminate the swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the related variable rate bonds would no

longer be hedged. Finally, if at the time of termination the swap has a negative fair value, MassDOT would be liable for a payment equal to the swaps' fair value.

(6) Pledged Revenues

MassDOT has pledged toll and certain related revenues, generated from the Metropolitan Highway System (MHS) to repay revenue bonds after deducting the amount necessary to pay all operating and maintenance costs, capital reinvestment and the maintenance of certain debt service reserve funds as required by the applicable bond covenants. The bonds were originally issued to provide financing for construction related to the MHS. Certain revenue bonds associated with the original issuance were refunded, for which the pledge remains. The bonds are payable through 2039 from the pledged revenues and a $100,000 annual contract assistance payment from the Commonwealth. Annual principal and interest payments (including net swap payments) on the bonds, net of the Commonwealth's $100,000 annual contract assistance payment, are expected to require approximately 25% of pledged revenues.

The remaining principal balance to repay MHS revenue bonds amounts to $1,465,310. The remaining principal and interest (including net swap payments) related to MHS to be paid on the bonds is $2,730,412. Principal and interest (including net swap payments) paid and pledged revenue received for the year ended June 30, 2021 were $145,248 and $144,694, respectively.

(7) Governmental Fund Balances

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	Governmental Funds - Fund Balance			
	MTTF (general)	**Highway capital projects**	**Other governmental funds**	**Total**
Nonspendable:				
Prepaid expenditures	$ 3,311	—	—	3,311
Restricted:				
Debt service	228,977	—	—	228,977
Turnpike (toll) operations and capital reinvestment	510,191	—	—	510,191
Tobin bridge and metropolitan highway system operations	163,678		—	163,678
Transportation infrastructure fund	—	70,729	—	70,729
Transportation Infrastructure & Development Fund	—	3,223	—	3,223
Central Artery repairs and maintenance	—	—	328,773	328,773
Motor vehicle safety inspection	—	—	12,638	12,638
Planning and Enterprise Services	—	—	2,178	2,178
Registry	1,841	—	—	1,841
Rail and Transit	—	—	32,557	32,557
Total restricted fund balances	904,687	73,952	376,146	1,354,785
Assigned:				
Highway operations	—	—	511	511
Registry operations	—	—	376	376
Total assigned fund balances	—	—	887	887
Unassigned	90,010	—	—	90,010
Total governmental fund balances	$ 998,008	73,952	377,033	1,448,993

(8) Employee Benefit Plans

(a) Pension Plan

General Information about the Pension Plan

Plan description: Pensions are provided to eligible MassDOT employees through the Massachusetts State Employees' Retirement System (MSERS), a cost-sharing multiple employer defined benefit pension plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of the MassDOT. Other employees who transferred to MassDOT have been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS.

The MSERS is governed by the Massachusetts State Retirement Board (MSRB), which consists of five members-two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB. Membership in the MSERS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. MSERS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

Benefits provided: MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions: Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5 and 9% of their gross regular compensation except for State Police which is 12% of regular compensation. The contribution rate is based on the date plan membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of $30.

The MGLs governing employer contribution requirements to MSERS are varied and vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology that allocates total actual contributions among the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. While certain nonemployer contributions are the legal responsibility of the Commonwealth and are identified by MSERS as special funding situations, MassDOT does not fall within this category. For the June 30, 2020 measurement date, the Commonwealth made contributions on behalf of MassDOT totaling $9,577 and MassDOT made contributions totaling $40,765 to the pension plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, MassDOT reported a liability of $799,297 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2020). MassDOT's proportion of the net pension liability is based on actual contributions adjusted for nonemployer contributions (as described above). At June 30, 2020, MassDOT's proportion was 4.65853%, which compared to a proportion of 4.26544% at June 30, 2019.

For the year ended June 30, 2021, MassDOT recognized pension expense of $107,899. At June 30, 2021, MassDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ 43,937	—
Changes of assumptions	45,319	—
Changes in proportion	42,775	19,440
Difference between expected and actual experience	25,432	5,172
Contributions subsequent to the measurement date	42,611	—
	$ 200,074	24,612

Excluding contributions made subsequent to the measurement date, the amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2022	$ 29,156
2023	34,957
2024	34,762
2025	30,356
2026	3,620
Total	$ 132,851

Actuarial assumptions: The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. (a) 7.15% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first $13,000 of allowance each year.

2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.

3. Mortality rates were as follows:

    - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females

    - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females

    - Disability – the mortality rate is reflects the post-retirement mortality described above, set forward 1 year.

4. Experience studies were performed as follows:

    - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39 %	4.8 %
Core Fixed Income	15	0.7
Private Equity	13	8.2
Portfolio Completion Strategies	11	3.2
Real Estate	10	3.5
Value Added Fixed Income	8	4.2
Timberland / Natural Resources	4	4.1
Totals	100 %	

Discount rate: The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the Commonwealth's contributions will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of MassDOT's proportionate share of the net pension liability to changes in the discount rate: The following presents MassDOT's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the MassDOT's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
MassDOT's Proportionate Share of the Net Pension Liability	$ 1,053,123	799,297	590,671

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts' Comprehensive Annual Financial Report.

(b) Other Postemployment Benefits (OPEB)

Plan Description. MassDOT participates in the Commonwealth's OPEB plan, an single employer defined Postemployment Benefits Other Than Pensions (OPEB) Plan. Benefits are managed by the Commonwealth's Group Insurance Commission (GIC) and investments are managed by the Pension Reserves Investment Management (PRIM) Board.

At the inception of MassDOT, the employees of the former Massachusetts Turnpike Authority became eligible to participate in the Commonwealth's OPEB plan. All other employees of MassDOT were members of the plan prior to the creation of MassDOT and remain so.

The State Retiree Benefits Trust Fund (SRBT) is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is administered by the board of trustees and is reported as an OPEB Trust Fund in the Commonwealth's financial statements and does not issue a stand-alone audited financial report.

Management of the SRBT is vested with a board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or their designee), one person appointed by the Governor and one person appointed by the State Treasurer. The members elect one person to serve as chair of the board.

Benefits provided. Under Chapter 32A of the Massachusetts General Laws the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefits costs, which are comparable to contributions required from employees.

Funding Policy. Employer and employee contributions rates are set in the General Law. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020 and as of the valuation date (January 1, 2020), participants contributed 0% to 20% of the premium cost, depending on the date of hire and whether the participant is active, retiree or survivor status. As part of the fiscal 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. MassDOT is required to reimburse the Commonwealth at their contractual fringe rate of 7.70% based on current payroll. MassDOT's reimbursement to the Commonwealth for the year ending June 30, 2021 was approximately $22,375, which equaled the required contribution.

The Massachusetts General Laws (MGLs) governing employer contributions to OPEB determine whether entities are billed for OPEB costs. Consequently, OPEB developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. According to MGL, certain nonemployer contributions are the legal responsibility of the Commonwealth and have accordingly been reflected on the schedule of employer and nonemployer allocations as special funding situations. MassDOT is not a special funding situation.

OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 MassDOT reported a liability of $998,381 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 for which procedures were used to roll forward the total OPEB liability to the measurement date. MassDOT's proportion of the net OPEB liability is based on actual contributions adjusted for nonemployer contributions. At June 30, 2020, MassDOT's proportion was 4.82515%.

For the year ended June 30, 2021, MassDOT recognized OPEB expense of $51,608. At June 30, 2021, MassDOT reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Net differences between projected and actual investment earnings on OPEB plan investments	$ 2,887	—
Changes of assumptions	82,219	96,490
Changes in proportion	68,122	32,825
Difference between expected and actual experience	27,553	24,643
Contributions subsequent to the measurement date	22,375	—
	$ 203,156	153,958

Excluding contributions made subsequent to the measurement date, the amount reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30	Amount
2022	$ (7,065)
2023	(4,698)
2024	8,840
2025	22,154
2026	7,592
Totals	$ 26,823

Actuarial Assumptions: The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. The annual health care cost trend rates were developed based on the most recent published GAO-Getzen trend rate mode, version 2020_b. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SAO-Getzen model was then used to determine the trend rates beginning in 2024 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Current and future trend rates for Medicare and non-Medicare are summarized in the table below.

Year	Medicare Benefits	Non-Medicare Benefits
2020	4.90%	6.70%
2021	4.80%	6.60%
2022	4.70%	6.50%
2023	4.60%	6.40%
2024	4.70%	6.20%

Getzen long run growth factors assumptions:

- Inflation: 2.5%
- Real GDP Growth: 1.5%
- Excess Medical Growth: 1.1%

2. The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

3. Participation rates:

    a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement

    b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.

    c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.

    d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.

    e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.

    f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POC/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indeminity/ POS/ PPO/ HMO)

Future retirees are assumed to enroll in the existing plans in the same proportion as the current retiree mix, as shown in the table below. These proportions are established separately for non-Medicare and Medicare coverage for each product type.

	Retirement Age	
	Under 65	Age 65 +
Indemnity	28.0 %	96.0 %
POS/PPO	60.0	—
HMO	12.0	4.0

4. Long-term expected rate of return:

The long-term expected rate of return as of June 30, 2020 was 7.15%. Investment assets of the plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39 %	4.8 %
Core Fixed Income	15	0.7
Private Equity	13	8.2
Portfolio Completion Strategies	11	3.2
Real Estate	10	3.5
Value Added Fixed Income	8	4.2
Timberland/Natural Resources	4	4.1
Total	100.0 %	

Discount rate: The discount rate used to measure the OPEB liability as of June 30, 2020 was 2.28%. The rate was based on a blend of the Bond Buyer Index rate of 2.21% as of the measurement date and the long term expected rate of return om plan investments of 7.15%. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2028. Therefore, the long-term expected rate of return on plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

Sensitivity of MassDOT's proportionate share of the net OPEB liability to changes in the discount rate: The following presents MassDOT's proportionate share of the net OPEB liability calculated using the discount rate, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	1% Decrease (1.28%)	Current Discount Rate (2.28%)	1% Increase (3.28%)
MassDOT's Proportionate Share of the Net OPEB Liability	$ 1,199,775	998,381	839,256

Sensitivity of MassDOT's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate: The following presents MassDOT's proportionate share of the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
MassDOT's Proportionate Share of the Net OPEB Liability	$ 810,917	998,381	1,247,444

(9) Leases

(a) Commitments

MassDOT has commitments under various operating leases. Total lease expense for the year ending June 30, 2021 was $8,874. The following is a summary of the future minimum lease payments for operating lease obligations:

Years:	Amount
2022	$ 8,301
2023	7,010
2024	6,332
2025	5,911
2026	5,631
Thereafter	18,634
Total	$ 51,819

Capital lease obligations are not material to MassDOT’s financial statements.

(b) Rental Income

MassDOT leases property and air rights to others. During fiscal year 2021, MassDOT entered 2 substantial lease agreements;

(i) A 99-year air rights and ground lease agreement termed "Parcel 12", a proposed development of commercial and residential buildings over the Massachusetts Turnpike highway. MassDOT received a sum of $6 million which will be recognized and amortized over the term of the lease.

(ii) Another 99-year air rights and ground lease termed Fenway Center Project, "Parcel 7", a proposed development of a deck and building over another section of the Massachusetts Turnpike highway. MassDOT received a sum of $55 million which will also be recognized and amortized over the term of the lease.

For the year ended June 30, 2021, MassDOT earned $58,142 in rental income. The following is a schedule by years of minimum future rental income on non-cancelable operating leases as of June 30, 2021:

Years:	Amount
2022	$ 42,079
2023	41,804
2024	40,457
2025	14,120
2026	7,295
Thereafter	534,647
Total	$ 680,402

(10) Risk Management

As part of its normal operations, MassDOT encounters the risk of accidental loss stemming from third party liability claims, property loss or damage, and job related injuries and illnesses. In managing these loss exposures, MassDOT applies a combination of risk management measures, including safety and loss prevention program, emergency planning, contractual risk transfer, self-insurance (internal retention) and commercial insurance. Settled claims resulting from the risks discussed above did not exceed the amount of insurance coverage in force during the year ended June 30, 2021.

In connection with the self-insurance and insurance programs, MassDOT retains part of the losses incurred and internally manages the self-insured claims. The current MassDOT self-insured retention includes (i) up to $2,500 per loss for public official liability (ii) $7,500 per loss for privacy & network liability, (iii) $250 per loss involving damage to buildings and their contents, and (iv) $50,000 per bridge and tunnel loss. Insurance is purchased above self-insured amounts, subject to availability and reasonableness of cost. Liability insurance policies related to the former Massachusetts Turnpike Authority’s exposures in prior periods (for incurred but not reported claims) have been assigned to MassDOT and remain in force.

(a) Workers' Compensation

MassDOT's fully self-insured workers' compensation program is administered by the Commonwealth of Massachusetts' Human Resources Division (HRD). HRD assumed responsibility for making fair and timely payments of indemnity and medical benefits to injured MassDOT employees, maintaining the claim and financial records and for negotiating appropriate settlements for all workers' compensation claims. This includes all legacy claims from the predecessor entities.

Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported at year-end and are based on the historical cost of settling similar claims. MassDOT records such liabilities as other liabilities.

The estimated workers' compensation liability for occurrences through June 30, 2021 is $18,862. This amount is based on the results of a review performed by an independent actuarial firm retained by MassDOT, and represents an estimate of liabilities incurred based on past experience for claims reported and not reported as of June 30, 2021.

Changes in the workers' compensation claims liability since July 1, 2019 were as follows:

Liability balance, July 1, 2019	$	19,940
Provision to record estimated losses		7,539
Payments		(6,330)
Liability balance, June 30, 2020	$	21,149
Liability balance, July 1, 2020	$	21,149
Provision to record estimated losses		4,035
Payments		(6,322)
Liability balance, June 30, 2021	$	18,862

(b) Owner Controlled Insurance Program (OCIP)

MassDOT has assumed responsibility for providing workers' compensation and general liability insurance for all eligible contractors and subcontractors working on the Central Artery/Tunnel Project (Project) by establishing OCIP. A Trust, managed and administered by an independent third party (trustee), was established to protect a portion of the assets set aside with the insurance carried to fund Project liabilities. During fiscal 2018 the Trust was dissolved and MassDOT manages and administers OCIP. Amounts related to OCIP are restricted and cannot be used for other purposes.

These insurance programs within the OCIP are structured as retrospectively rated insurance programs with retained loss limits of $1,000 per claim, $3,000 on aggregate per occurrence for worker's compensation and $2,000 per contractor, $6,000 on aggregate per occurrence for general liability coverage. MassDOT is responsible for loss costs up to these amounts.

The estimated Claims and Judgments liability for the OCIP for occurrences through June 30, 2021 is $1,230. This amount is based on the results of a review performed by an independent actuarial firm and it represents an estimate of liabilities incurred based on past experience for claims incurred and not reported as of June 30, 2021. Any residual amount remaining at the end of the program will be transferred to MassDOT's Transportation Infrastructure Fund.

Changes in the claims liability since July 1, 2019 were as follows:

Liability balance, July 1, 2019	$	1,560
Provision to record estimated losses		(70)
Payments		—
Liability balance, June 30, 2020	$	1,490
Liability balance, July 1, 2020	$	1,490
Provision to record estimated losses		(73)
Payments		(187)
Liability balance, June 30, 2021	$	1,230

(11) Commitments

MassDOT enters into construction contracts for roads, bridges, highways (including the Metropolitan Highway System and Western Turnpike) with various construction and engineering companies, as well as collaborating with the MBTA on various projects. Significant construction contracts outstanding at June 30, 2021 approximated $1.9 billion.

(12) Litigation

MassDOT from time to time is engaged in various matters of routine litigation. These matters include personal injury and property damage claims for which MassDOT’s liability is covered in whole or in part by insurance. MassDOT does not expect that these matters will require any amounts to be paid which in the aggregate would materially affect the financial statements. MassDOT accrued $384 for legal claims related at June 30, 2021.

(13) Subsequent Events

Subsequent to year end, MassDOT's fiscal 2022 operating budget was revised and approved for $988,300 in expenditures and debt service. The amount will be funded from operating revenue from CTF ($633,300), pledged and unpledged revenues ($413,700), motor vehicle inspection trust fund ($67,200), federal funds ($22,000) and other revenues ($6,300) investment income.

(14) MBTA - The Reporting Entity

The Massachusetts Bay Transportation Authority (the Authority or MBTA) was originally created in 1964 as a body politic and corporate and a political subdivision of the Commonwealth of Massachusetts (the Commonwealth) to finance and operate mass transportation facilities within, and, to a limited extent, outside of its territorial area of 176 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. The 176 cities and towns are grouped into three categories, based upon the weighting of each member's allocable percentage of population and assessments: (i) the inner 14 cities and towns; (ii) the outer 51 cities and towns; and (iii) the other 111 served communities.

Chapter 161A is referred to herein, together with Section 35T of Chapter 10 of Massachusetts General Laws, as the "Enabling Act." Under the Enabling Act, an Advisory Board, consisting of a representative of each of the cities and towns paying assessments, shall have certain specified powers, including the power to review the Authority's long term capital program and annual operating budget. The Enabling Act does not provide for the Authority to be a debtor under the federal bankruptcy code.

Since July 2015, The Authority has been governed by the Fiscal and Management Control Board (the Control Board or the FMCB) which was afforded all the powers, responsibilities, and obligations relative to the Authority with the exception of authorizing the issuance of debt, which remained the responsibility of the Massachusetts Department of Transportation (MassDOT). Furthermore, the General Manager is hired and retained by the Secretary of Transportation (the Secretary). The FMCB reports to the Secretary.

The Control Board may (i) establish separate operating and capital budgets each with clearly designated revenue sources and uses and establish policies and procedures to ensure that no funds are commingled between operating and capital budgets; (ii) establish one-year and five-year operating budgets which are balanced primarily through a combination of internal cost controls and increased own-source revenues and which facilitate the transfer of MBTA employees from the capital budget to the operating budget; (iii) establish five-year and twenty-year capital plans that include a phased program for the complete restoration of the physical assets of the Authority including its vehicle fleet, a plan to address failings within the existing capital program and funding recommendations to meet the region's transit needs; (iv) establish a rigorous performance management system and performance metrics and targets that address, among other things, maximizing of own-source revenues, increasing ridership, reducing absenteeism, addressing vacancies and attrition, improving employee morale, achieving procurement and contracting improvements and improving customer focus and orientation; (v) review any contract for the provision of services entered into by the Authority, including contracts entered into before the establishment of the Control Board, including, but not limited to, commuter rail and paratransit service contracts, and amend those contracts, as necessary, in accordance with their terms; and (vi) establish, increase, or decrease any fare, fee, rate, or charge for any service, license or activity within the scope of the MBTA. The Control Board may: (i) reorganize or consolidate MBTA departments, divisions or entities, in whole or in part, except the Metropolitan Boston Transit Parking Corporation; (ii) establish any new departments, divisions, or entities as it considers necessary; and (iii) transfer the duties, powers, functions and appropriations of a department, division or entity, except the duties, powers, functions and appropriations of the Metropolitan Boston Transit Parking Corporation, to another. Any reorganization or consolidation that affects MassDOT shall be approved by the MassDOT's board.

The Control Board consists of five members appointed by the Governor. Three members shall be members of the MassDOT Board, one shall have experience in transportation finance and one shall have experience in mass transit operation. Chapter 114 of the Acts of 2020 extended the Control Board term to June 30, 2021.

Subsequent to year end, legislation (Chapter 29 of the Acts of 2021) was passed providing for a new governance structure whereby the MBTA Board of Directors (the Board) replaced the FMCB. The Board shall consist of the following seven members: the Secretary of Transportation, who shall serve ex officio; one person to be appointed by the Advisory Board and five persons to be appointed by the governor, one of whom shall have experience in safety, one of whom shall have experience in transportation operations, one of whom shall have experience in public or private finance, one of whom shall be a rider and a resident of an environmental justice population and one of whom shall be selected from a list of three persons recommended by the President of the AFL-CIO.

During the transition period between the dissolution of the FMCB effective July 1, 2021 and the first official meeting of the Board, MassDOT exercised governance duties for the Authority.

In May 2011, the Authority approved the establishment of Metropolitan Boston Transit Parking Corporation (MBTPC) a private Massachusetts nonprofit corporation organized under the provisions of Chapter 180 of Massachusetts General Laws, for the limited purpose of taking action necessary to provide for issuance of bonds on behalf of the Authority secured by the revenues from the parking system of the Authority. The MBTPC Systemwide Senior Lien Parking Revenue Bonds, Series 2011 were issued in June 2011 and refunded during fiscal 2021.

The Authority is the sole member of MBTPC and its directors consists of three ex officio management employees of the Authority. MBTPC has no employees. MBTPC is authorized under the Systemwide Parking Revenue Bonds Resolution (the General Resolution) to issue debt payable and has assumed certain rights to receive gross revenues from the parking system of the Authority under a Transfer and Disposition Agreement. The obligations of the corporation, the bonds and Transfer and Disposition Agreement are limited obligations, payable solely from the assets of MBTPC, which are pledged under the General Resolution and recourse shall be limited to such assets. Due to its relationship with the Authority, the MBTPC is considered a blended component of the Authority.

In accordance with the requirements of Governmental Accounting Standards Board (GASB), the financial statements must present the Authority (the primary government) and its component units. Pursuant to this criterion, no component units, other than the MBTPC, were identified for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of MassDOT, as the Authority is a component unit of MassDOT.

(15) MBTA - Summary of Significant Accounting Policies

(a) Basis of Financial Reporting

The Authority applies U.S. generally accepted accounting principles (GAAP) as prescribed by GASB. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Authority, the reporting entity. The Authority accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing transportation services to member communities. All other revenues and expenses are reported as nonoperating revenues and expenses.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Cash

Cash and cash equivalents include cash on deposit and money market funds.

(d) Investments

Investments are generally presented at fair value, other than certain investments that are recorded at amortized cost. The MBTA uses an independent pricing source to determine the fair value of investments at quoted market prices. Changes in fair value are included in nonoperating interest income in the Statement of Revenues, Expenses and Changes in Net Position. The investments recorded at amortized cost are those outlined by GASB standards and include: Investments held by the Authority in nonparticipating interest-earning investment contracts and money market investments and participating interest-earning contracts that have a remaining maturity at the time of purchase of one year or less. The Authority also records its investments in state & local government series obligations at cost due to prohibition of transferability of the obligations. The Authority invests in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool and is not SEC-registered. MMDT is state-regulated and is valued at amortized cost.

(e) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, which are reported as temporary cash investments.

(f) Cash and Investment Accounts

Certain cash and investments are segregated from operating cash and investments and labeled restricted due to certain internal or external restrictions as follows:

- Bond Construction Accounts – represent unexpended bond proceeds.
- Stabilization Accounts – represent funds held in accordance with statutory requirements to be used when annual revenues are projected to be less than annual expenses, or if the Authority has insufficient funds on hand to pay current expenses.
- Lease Deposits – represent investments in Treasury STRIPS held by trustees that will be used to make scheduled equity payments on the Authority's capital leases.
- Bond Reserve Accounts – represent funds required to be maintained by trust agreements and bond resolutions.
- Forward Delivery Agreements – represent investment derivatives associated with bond reserve accounts as more fully described in note 16(g).

Unrestricted cash and temporary investments are free of any internal or external restrictions. Other cash and temporary investments represent internally restricted funds held for capital maintenance, debt service, and other expenses.

(g) Capital Assets

All capital assets exceeding $5, with a useful life of greater than one year, are stated at historical cost. These costs include the Authority's labor costs for employees working on capital projects, related fringe benefits, and an allocated share of general and administrative costs. Ordinary maintenance and repairs are charged to expense as incurred.

Depreciation of capital assets is computed using the straight line method over the estimated useful life of the asset. The major categories of transportation property in service and their estimated useful lives are as follows at June 30, 2021:

	Estimated useful life
Ways and structures	10 - 60 years
Building and equipment	3 - 25 years

(h) Construction in Progress

For the year ended June 30, 2021, approximately $2.0 billion was expended towards the completion of major construction projects and improvements in progress. The projects and improvements completed were transferred to the appropriate transportation property accounts. Major projects included transit service extensions, right of way improvements, and purchases of new rolling stock and other equipment.

The Authority does not capitalize interest.

(i) Materials and Supplies

Materials and supplies are stated at average cost and include items to support the Authority's operations.

(j) Self-Insurance

The Authority is fully self-insured for various risks including workers' compensation, and injuries and damages claims. The Authority also self-insures a portion of casualty, liability claims, and property losses.

(k) Revenue Recognition

The Authority realizes revenue from a variety of different sources including but not limited to dedicated sales tax revenue and dedicated assessment revenue (collectively referred to as Dedicated Revenues), state contract assistance appropriated funds, fare revenue, and nonfare revenue such as real estate, parking, and advertising revenues.

Under the Enabling Act, the Dedicated Revenues are impressed with a trust for the benefit of Authority bondholders. Furthermore, the Commonwealth covenants that while any Authority bonds or notes secured by the Dedicated Revenues are outstanding and remain unpaid, the Dedicated Revenues shall not be diverted, and, so long as the Dedicated Revenues are necessary for the purpose for which they have been pledged. The Authority recognizes the Dedicated Revenues as nonoperating revenue.

The Dedicated Sales Tax is equal to the greater of the base revenue amount (as defined in the Enabling Act) and the amount raised by a 1% statewide sales tax to be funded from existing sales tax receipts, subject to adjustment under certain circumstances set forth in the Enabling Act, plus $160,000 annually. The dedicated assessment revenue consists of the obligation of 176 cities and towns in the Authority's expanded district to pay assessments for transportation services and benefits rendered. The Commonwealth deducts the assessments from each municipality's local aid payments; as such, these payments are received from the Commonwealth.

The dedicated assessments shall be adjusted each July 1 by the growth rate of the inflation index over the preceding 12 months not to exceed 102.5% of the previous year's assessment.

The Transportation Reform Act established the Commonwealth Transportation Fund (CTF), a budgetary fund of the Commonwealth for transportation related purposes, to receive essentially the same revenue previously deposited into the Highway Fund, including gasoline tax receipts and registry fee revenue. The Transportation Finance Act also provided funding for various transportation services and infrastructure needs within the various units of MassDOT. The Commonwealth appropriated the amount of $127,000 from the CTF to the Authority for fiscal 2021. The Authority recognizes the state appropriated funds from the CTF on an accrual basis as nonoperating revenue.

As more fully described in note 27, the Authority received significant federal pandemic assistance. For the year ended June 30, 2021, the Authority recognized $933,024 of nonoperating federal pandemic assistance revenue. The Authority records such assistance on the accrual basis of accounting.

The Authority generates significant revenue from the operation of its transportation system, including both fare revenue and nonfare revenue such as those derived from real estate, parking, and advertising. Fare revenue is recorded on an accrual basis as operating revenue when fare media is purchased by riding customers through fare vending equipment and pass programs administered by the Authority. Real estate, parking, and advertising revenue is recorded on an accrual basis as operating revenue upon reporting of independent contractors managing these revenue streams on behalf of the Authority. Such activity is reflected as operating revenue in the accompanying financial statements

(l) Capital Grants and Contributions

The Authority receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. State contract assistance that is used for capital purposes is also included in capital grants and contributions in the accompanying financial statements.

(m) Compensated Absences

The Authority accrues for vested vacation pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2021 was $23,120.

(n) Postemployment Benefits

(i) The Authority has the following defined benefit postemployment plans:

Pension. The Authority sponsors six defined benefit pension plans, three of which are have

significant net/total pension liabilities that are recorded on the accompanying financial statements (the MBTA Retirement Fund, the MBTA Police Association Retirement Plan and the MBTA Deferred Compensation Plan). The remaining three plans (the MBTA Executive Deferred Compensation Plan, the MBTA Executive Deferred Compensation Annuity Plan and the MBTA Excess Benefit Annuity Plan) have less than ten active and retired participants and are considered immaterial and are not reflected in the accompanying financial statements.

Other Postemployment Benefits (OPEB). The Authority sponsors one defined benefit OPEB plan.

For purposes of measuring the net/total pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to these liabilities and related expenses, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the applicable defined benefit plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by the plans, where applicable, are measured at fair value.

(ii) The Authority has the following defined contribution postemployment plans:

Pension. The Authority sponsors one defined contribution plan, the MBTA Deferred Compensation Saving plan.

OPEB. The Authority sponsors one defined contribution Transit Employees Health and Welfare Trust.

See footnotes 25 and 26 for more information on the Authorities postemployment benefit plans.

During fiscal 2021, the Authority implemented GASB Statement No. 84, Fiduciary Activities, and determined that none of its postemployment plans met the criteria for being reported as a fiduciary activity because none of the plans were determined to be component units of the Authority and the Authority was not deemed to have control of the plans' assets.

(o) Environmental and other Remediation Obligations

The Authority recognizes pollution remediation liabilities in accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations and GASB Statement No. 83, Certain Asset Retirement Obligations. At June 30, 2021 the Authority recorded a long-term liability of $8,772 related to simple ownership of historical rights of way and property located within industrial areas, and the operation and maintenance of our transportation facilities.

(p) Derivatives

The Authorities derivative activities included various forward delivery agreements (FDA) and various interest rate swaps which are recorded at fair value. At June 30, 2021, the fair value of the FDA which are considered investment derivatives totaled $54,598. At June 30, 2021, the fair value of the interest rate swaps which are considered as hedge instruments totaled ($6,780).

Derivative instruments are reported as assets or liabilities at fair value on the statement of net position. Fair value is determined using a market approach that considers benchmark interest rates.

Changes in fair value may be reported in the statement of revenue, expenses, and changes in net position, or as deferred inflows or deferred outflows of resources in the statement of net position depending upon whether the derivative instrument qualifies for hedge accounting.

(q) Available Unrestricted Resources

The Authority's policy is to utilize available unrestricted resources prior to restricted resources.

(r) Deferred Inflows and Outflows

The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and deferred inflows, respectively, to distinguish them from assets and liabilities. Deferred outflows of resources increase net position, similar to assets and deferred inflows of resources decrease net position similar to liabilities.

(s) Statement of Net Position

The statement of net position presents all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

(16) MBTA - Deposits and Investments

The Authority's investment policy is to only invest in securities named in the respective trust agreements.

The Authority is authorized by its board of directors to make deposits into checking and savings accounts and to invest in direct obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, investment agreements, municipal bonds, repurchase agreements secured by U.S. government and agency obligations, and certain other investments permitted under the trust indentures.

Obligations of any agency or instrumentality of the United States of America including, but not limited to, the following may be acceptable as collateral to secure certificates of deposit or other instruments:

(A) Federal Home Loan Banks

(B) Federal Land Banks

(C) Federal Intermediate Credit Banks

(D) Bank for Cooperatives

(E) Federal National Mortgage Association

(F) Federal Farm Credit Banks

The Authority may invest in prime commercial paper of corporate issuers with a minimum quality rating of P-1 by Moody's Investors Service (Moody's) or A-1 by Standard and Poor's (S&P). These instruments can vary in maturity; however, no more than 10% of the investment funds shall be invested in the commercial paper of a single corporation.

Additionally, the Authority is authorized to invest in the Massachusetts Municipal Depository Trust (MMDT), a pooled money market like investment fund, established under General Laws, Chapter 29, Section 38A. MMDT is an external investment pool that meets the criteria established by GASB 79 to report its investments at amortized cost. As such, the Authority reports its investment in MMDT at amortized cost which approximates the net asset value of $1.00 (one dollar) per share. MMDT has a maturity of less than one year and is not rated.

Marketable securities, which consist primarily of U.S. government instruments, are carried at fair value based upon quoted market prices. Nonparticipating interest earning contracts, including certificates of deposit, guaranteed investment contracts, and state and local government series obligations, are carried at cost.

Deposits and investments consisted of the following amounts presented in the accompanying statement of net position at June 30, 2021:

	2021
Restricted:	
Bond construction accounts	$ 255,245
Bond reserve accounts	675,556
Stabilization accounts	20,902
Forward delivery agreements	54,598
Lease deposits	72,796
Subtotal	1,079,097
Unrestricted cash and temporary investments	651,683
	$ 1,730,780

Included in bond reserve, stabilization, and unrestricted cash and temporary investments at June 30, 2021 are investments in Commonwealth debt instruments with a fair value of $40,928.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The deposits in the bank in excess of the insured amount and collateralized amount are uninsured and uncollateralized. The carrying amount of the Authority's deposits at June 30, 2021 was $104,474. The bank balances at June 30, 2021 were $106,378. Of this amount, $0 was exposed to custodial credit risk as uninsured and uncollateralized. These amounts reflect the Federal Deposit Insurance Corporation limit of $250 per institution at June 30, 2021.

(b) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority follows the guidelines in the Authority's trust agreements, and does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Authority's fixed income investments at June 30, 2021 are presented below. All investments are presented by investment type and maturity.

	2021				
		Investment maturities (in years)			
Investment type	Amount	Less than 1 year	1 - 3	4 - 8	More than 8
Money Market Funds	$ 363,251	363,251	—	—	—
MMDT	823,356	823,356	—	—	—
Guaranteed investment contracts	2,506	—	—	—	2,506
U.S. Treasury STRIPS	72,796	—	—	—	72,796
U.S. Treasury Securities	134,521	134,521	—	—	—
U.S. government-sponsored enterprises	57,079	40,657	—	—	16,422
International Bank Notes	13,113	13,113	—	—	—
Municipal bonds	40,928	—	15,028	—	25,900
State and Local Government	64,157	—	12,180	—	51,977
	$ 1,571,707	1,374,898	27,208	—	169,601

(c) Credit Ratings

The Authority has $823,356 invested in MMDT as of June 30, 2021, a state investment pool managed by Fidelity Investments as agent for the Commonwealth and shareholders of the MMDT. MMDT is unrated.

The Authority has $363,251 invested in money market funds as of June 30, 2021. These investments are not rated.

The Authority holds guaranteed investment contracts with a fair value of $2,506 at June 30, 2021. These investments are not rated.

The Authority had $312,402 in U.S. Treasury STRIPS, U.S. Treasury securities, State and local government series and municipal bonds as of June 30, 2021. The investments in Treasury STRIPS, U.S. Treasury Securities and State and local government series obligations are backed by the full faith and credit of the U.S. government. The municipal bonds represent debt obligations issued by the Commonwealth of Massachusetts and have an implied credit rating of Aaa/AA+.

The Authority has $57,079 invested in US government-sponsored enterprises as of June 30, 2021. These investments have an implied credit rating of AAaa/AA+ or they have been collateralized to AAA.

The Authority has $13,113 in International Bank Notes. These investments are not rated.

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Authority was not exposed to foreign currency risk as of June 30, 2021.

(e) Fair Value Hierarchy and Measurements of Investments

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that are required to be made at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure the fair value.

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability or similar assets or liabilities either directly or indirectly through corroboration with the observable market data.
- Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

Institutional Money Market Funds – Valued at fair value, which is represented by the quoted price for the fund – generally $1.00 (one dollar) per share. Money market funds are generally classified as Level 1.

U.S. Treasury Strips - Treasury strips are typically valued based on pricing sources with reasonable level of price transparency or derived from a treasury curve. Treasury strips are generally categorized as Level 2 of the fair value hierarchy.

U.S. Treasury Securities - Securities issued by the U.S. Government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security and a pricing model maximizing the use of observable inputs determined by investment managers.

- U.S. Treasury Securities consist principally of U.S. Treasury bills, notes and bonds are generally classified as Level 2 of the fair value hierarchy
- U.S. Government sponsored enterprises securities consist principally of U.S. Government agency obligations including agency-issued debt, agency mortgage pass-through securities, and agency collateralized mortgage obligation are generally categorized in Level 2 of the fair value hierarchy.

Municipal bonds – State and municipal bonds are generally valued based on the independent prices obtained from third party valuation services. Where prices of recently executed market transactions of similar securities and of comparable size are easily observed, those are taken into consideration for arriving at the fair value. When independent prices are available for state and municipal bonds, these are categorized as Level 2 of the fair value hierarchy.

International Bank Notes – are generally valued based on independent prices obtained from third party valuation services and are categorized as Level 2 of the fair value hierarchy.

Derivative Instruments – The Authority's interest rate swaps and forward delivery agreements are classified as Level 2 as valued using a market approach that considers benchmark interest rates.

The Authority has no securities classified as Level 3.

(f) Fair Value and Amortized Cost Measurements

The Authority categorizes its investments within the fair value hierarchy as of June 30, 2021 as follows:

	2021		
	Total	Fair Value Level 1	Fair Value Level 2
Investments by fair value level			
Money Market Funds	$ 363,251	363,251	—
U.S. Treasury STRIPS	72,796	—	72,796
U.S. Treasury securities	134,521	—	134,521
U.S. Government-sponsored enterprises	57,079	—	57,079
International bank notes	13,113	—	13,113
Municipal bonds	40,928	—	40,928
Total Investments by fair value level	681,688	363,251	318,437
Investments measured at amortized cost			
MMDT	823,356	—	—
State & Local Government Series	64,157	—	—
Guaranteed investment contracts	2,506	—	—
Total Investments measured at amortized cost	890,019	—	—
Total Investments	$ 1,571,707	363,251	318,437
Interest rate swaps	$ (6,870)	—	(6,870)
Forward delivery agreements	$ 54,598	—	54,598

(g) Forward Delivery Agreements

The Authority has entered into several forward delivery agreements (FDAs) with various counterparties related to its debt service and debt service reserve funds (collectively, the Funds). These FDAs provide for the counterparties to pay the Authority a fixed rate of return on the amounts on deposit in the Funds in exchange for the Authority's obligation to purchase securities at specified dates in the future. Under the FDAs, the Authority receives fixed return rates ranging from 4.000% to 6.765% and commits to purchase the securities at their market value on the specified future dates through June 30, 2037. The credit ratings of the counterparties to the FDAs as of June 30, 2021, as determined by Standard and Poor's, were from "A-" to "AA".

(17) MBTA - Pledged Revenues

The Authority has pledged, as security for Sales Tax Series Bonds issued and Assessment Bonds issued, a portion of the Commonwealth sales tax (excluding meals tax) that is restricted for purposes of providing a

dedicated revenue source to the Authority and a portion of the assessments obligated to be paid by cities and towns for which the Authority provides specified transportation services. Such bonds, issued by the Authority, provide financing for a portion of the capital improvement projects included in the Authority's approved Capital Investment Program ("CIP"), and are payable through June 30, 2050. The pledge of dedicated sales tax receipts and assessments from local communities remains in place until all bonds outstanding are retired and paid. The Authority generally issues bonds annually to fund its CIP, and these funds will continue to be pledged as security for the bonds until such time as the Authority no longer finances its CIP through the issuance of bonds secured by such pledged revenues and all such Authority bonds issued and outstanding have been retired. The total amount of dedicated sales tax revenues and local assessment revenues received in fiscal year 2021 was $1,260,539 and $177,861, respectively, a total of $1,438,400. Total annual debt service (principal and interest) paid during fiscal year 2021 on outstanding Sales Tax Bond Series and, Assessment Bonds was $451,153, representing 30.0% of pledged revenues.

The MBTPC pledge of dedicated parking receipts of the parking system remain in place until all of its bonds outstanding are retired and paid. The MBTPC bonds were fully retired during fiscal 2021.

Total principal and interest remaining on Sales Tax Series Bonds, Assessment Bonds outstanding as of June 30, 2021 are approximately $7.4 billion.

(18) MBTA - Net Investment in Direct Financing Lease

The Authority entered into a direct financing lease related to the underground parking garage structure located at Nashua Street and Legends Way in the City of Boston effective on June 6, 2012. The lease is for a subsurface building area with five levels of parking with a capacity for 1,275 automobiles (unaudited). The lease agreement is for a 75 year term with an initial rent payment of $50,000 paid on the commencement date of the lease. Future annual base rent payments will commence on the tenth anniversary of the lease, June 6, 2022, and continue for a 30 year period.

The following lists the components of the net investment in direct financing lease as of March 31, 2021 ;

	2021
Total minimum lease payments receivable	$ 68,981
Less unearned income	(38,744)
Net investment in direct financing lease	$ 30,237

(19) MBTA - Lease Obligations

(a) Capital Lease Arrangements

In fiscal 2006, the Authority entered in a Sale – in/Lease – out (SILO) transaction involving 80 commuter rail cars. The agreement provides for the lease of rolling stock for a period of 11 years for 48 cars and 17 years for the remaining 32 cars. Because the transaction did not meet the "in-substance defeasance" criteria, the lease liability and the related refunding trust established to pay off the lease payments as they come due are included in the accompanying financial statements. The refunded trust's investments in U.S. Treasury strips and corresponding lease liability were valued at $72,796 at June 30, 2021.

(b) Operating Leases

As of June 30, 2021, the Authority leased approximately 37,000 square feet of office space and equipment within a property in Somerville, Massachusetts. This lease requires minimum lease payments of $687 in fiscal year 2021, respectively. The lease terminates as of June 30, 2021.

In 2017, the Authority entered into a 99-year lease for space at South Station and will receive $1,000 per year plus contractual increases over the life of the lease.

(20) MBTA - Capital Assets

A summary rollforward of capital assets at June 30, 2021 is as follows:

	Beginning balance June 30, 2020	Increases	Decreases	Transfers	Ending balance June 30, 2021
Capital assets not being depreciated:					
Land	$ 393,845	16,789	—	—	410,634
Construction work in progress	4,400,499	1,961,489	2,266,924	—	4,095,064
Total capital assets not being depreciated	4,794,344	1,978,278	2,266,924	—	4,505,698
Capital assets being depreciated:					
Ways and structures	11,100,755	1,718,774	—	(35,036)	12,784,493
Buildings and equipment	3,756,659	531,361	48,867	35,036	4,274,189
Capital assets - Other	339,196	—	1,124	—	338,072
Total capital assets being depreciated	15,196,610	2,250,135	49,991	—	17,396,754
Less accumulated depreciation for:					
Ways and structures	5,359,113	263,119	—	—	5,622,232
Buildings and equipment	2,513,735	192,527	48,867	—	2,657,395
Capital assets - Other	242,751	9,909	1,124	—	251,536
Total	8,115,599	465,555	49,991	—	8,531,163
Other capital assets, net	7,081,011	1,784,580	—	—	8,865,591
Capital assets, net	$ 11,875,355	$ 3,762,858	$ 2,266,924	$ —	$ 13,371,289

(21) MBTA - Long-Term Debt

(a) Bonds Payable

Debt issued by the Authority prior to and outstanding as of July 1, 2000 (the Prior Obligations) is backed by the full faith and credit of the Commonwealth to the extent revenues collected by the Authority are insufficient to pay the debt, until the debt is paid off. Principal and interest payments on that debt were subsidized by the Commonwealth prior to June 30, 2000. As of June 30, 2021, Prior Obligations in the amount of $121,165, are outstanding.

Principal on GTS bonds, all issued prior to July 1, 2000, is payable in annual installments on March 1st and interest is payable semiannually on March 1st and September 1st. The GTS bonds were issued to provide funds for the financing of the Authority's transportation properties.

Debt issued by the Authority after June 30, 2000 (new debt) is not supported by the Commonwealth's guarantee. Additionally, the Authority is not expected to receive any principal or interest subsidies from the Commonwealth, for the repayment of the prior obligations and new debt of the Authority, unless authorized by special legislation.

On April 15, 2021, the Authority issued Subordinated Senior Sales Tax Bonds, Subseries 2021 A-1 in the amount of $544,770; Subseries 2021 A-2 in the amount of $56,265; and Subseries 2021 B in the amount of $50,195. Over the life of each of the bonds, the 2021 A-1 subseries has an interest rate of 2.50%-5.00%; the 2021 A-2 has an interest rate of 5.00%; and the 2021 B subseries has an interest rate of .990%-2.535%. For the 2021 A-1 subseries', principal payments are made annually as follows: July 1, 2021, followed by July 1, 2024 through July 1, 2026, then on July 1, 2028, and finally July 1, 2031 through the maturity date of July 1, 2051. The 2021 A-2 subseries has two (2) principal payments, the first one on July 1, 2041 and the last one on the maturity date of July 1, 2042. Finally, the 2021 B subseries principal payments occur annually on July 1, 2025 through July 1, 2027 and then again from July 1, 2031 through the maturity date of July 1, 2034. The 2021 A 1 sales tax bonds were issued to refund $304,585 of 2011 MBTPC Parking Bonds.

In December 2017, the Authority entered into a Transportation Infrastructure Finance and Innocation Act (TIFIA) loan and a Railroad Rehabilitation and Improvement Financing (RRIF) loan with the United States Department Transportation. In July 2020, the Authority finalized a refinancing of the TIFIA and RRIF loans. The two loans were consolidated under the RRIF program and the total loan amount increased to $851,150. The new RRIF loan program consists of three tranches: (a) a PTC Tranche for $382,000; (b) an ATC Tranche for $369,065; and (c) a Resiliency Tranche for $100,085. The PTC tranche has an annual interest rate of 1.15%; the ATC Tranche has an annual interest rate of 1.29%; and the Resiliency Tranche has an annual interest rate of 1.45%. So long as the Authority's initial draw occurs on or before December 1, 2021, the Authority can continue to access this source of financing. Amortization commences on July 1 after the draw date. The final maturity on the Tranches is as follows: (a) PTC Tranche final maturity occurs on January 1, 2039; (b) ATC Tranche final maturity occurs on July 1, 2042; and (c) Resiliency Tranche final maturity occurs on July 1, 2054. Interest payments will be made on January 1 and July 1.

During fiscal 2021, there was no activity on the RRIF loans; as a result, each tranche has an outstanding balance of zero as of June 30, 2021.

Subsequent to year end and prior to December 1, 2021, the MBTA made its first draw of $336,854. A portion of the proceeds were used to retire the 2017 Bond Anticipation Note in the amount of $271,095. The MBTA then made its second drawdown on the PTC loan of $45,146 on December 23, 2021

The Authority issued Commercial Paper Sales Tax notes (CP) in the amount of $240,000 during fiscal year 2021. As of June 30, 2021, $200,000 in commercial paper was outstanding. In June 2021, the MBTA expanded its commercial paper program to $400,000 from $250,000, establishing four series: Series A ($125,000), Series B ($125,000), Series C ($75,000) and Series D ($75,000). Both JP Morgan and Barclays administer $200,000 each, and Barclays Bank PLC provides liquidity support..

The Authority's outstanding bonds payable at June 30, 2021 are as follows:

	Final fiscal year of maturity	Interest rates	Outstanding principal as of June 30, 2021	Due in fiscal year 2022
General transportation system bonds:				
1998 Series C dated November 1, 1998	2022	5.50%	915	915
2000 Series Variable Rate Demand Obligation dated March 10, 2000 (a)	2032	Variable	120,250	10,040
			121,165	10,955
Revenue Bonds:				
2003 Series A Senior Sales Tax dated January 29, 2003	2022	5.25%	25,935	25,935
2003 Series C Senior Sales Tax dated February 3, 2004	2024	5.25%	43,710	26,040
2004 Series B Senior Sales Tax dated March 9, 2004	2031	4.00%-5.25%	117,270	59,230
2004 Series C Senior Sales Tax dated December 22, 2004	2025	4.35%-5.50%	46,775	10,840
2005 Series A Senior Sales Tax dated March 24, 2005	2036	5.00%	709,770	13,985
2005 Series B Senior Sales Tax dated December 21, 2005	2030	4.35%-5.50%	91,625	75
2006 Series A Senior Sales Tax dated March 2, 2006	2035	5.25%	238,850	—
2006 Series B Senior Sales Tax dated December 5, 2006	2024	5.25%	73,925	26,740
2006 Series Series A Assessment dated September 13, 2006 (b)	2036	Variable and Fixed	161,340	—
2007 Series A-1 Senior Sales Tax dated May 24, 2007	2035	5.25%	205,675	—
2008 Series B Senior Sales Tax dated April 20, 2008	2034	5.00%-5.25%	29,320	1,645
2012 Series A Assessment dated June 21, 2012	2042	4.00%-5.00%	293,805	41,390

	Final fiscal year of maturity	Interest rates	Outstanding principal as of June 30, 2021	Due in fiscal year 2022
Revenue Bonds continued:				
2014 Series A Senior Sales Tax dated April 23, 2014	2045	3.00%-5.00%	173,290	6,025
2015 Series A Senior Sales Tax dated October 14, 2015	2046	2.00%-5.00%	177,855	—
2015 Series B Senior Sales Tax dated October 14, 2015	2036	4.00%-5.00%	169,095	—
2016 Series A Senior Sales Tax dated July 19, 2016	2034	Zero Coupon	288,195	—
2016 Series A Assessment dated July 19, 2016	2029	2.00%-5.00%	119,260	—
2017 Series A-1 Subordinated Sales Tax dated October 12, 2017	2047	5.00%	99,170	—
2017 Series A-2 Subordinated Sales Tax dated October 12, 2017	2047	5.00%	130,930	—
2017 Bond Anticipation Notes Subordinated Sales Tax dated October 12, 2017	2022	4.00%	271,095	271,095
2018 Senior Series A, Subordinated Sales Series A-1 dated October 12, 2018 (c)	2027	Variable	73,460	14,605
2018 Senior Series A, Subordinated Sales Series A-2 dated October 12, 2018 (c)	2027	Variable	73,460	14,600
2020 Series B-1 Subordinated Sales, Tax dated June 11, 2020	2051	5.00%	339,080	3,130
2020 Series B-2 Subordinated Sales, Tax dates June 11, 2020	2023	5.00%	45,685	—
2021 Series A-1 Subordinated Sales Tax dated April 15, 2021	2052	2.50%-5.00%	544,770	5,330
2021 Series A-2 Subordinated Sales Tax dated April 15, 2021	2043	5.00%	56,265	—
2021 Series B Subordinated Sales Tax dated April 15, 2021	2035	0.99%-2.535%	50,195	—
			4,649,805	520,665

	Final fiscal year of maturity	Interest rates	Outstanding principal as of June 30, 2020	Due in fiscal year 2021
Revenue Build America (BABs) Bonds				
2009 Series C Senior Sales Tax dated October 29, 2009	2040	4.75% - 5.569%	$ 210,545	7,995
2010 Series D Senior Sales Tax dated December 8, 2010	2041	4.546% - 5.869%	210,000	10,000
			420,545	17,995
Commercial Paper	2022		200,000	$ 200,000
Total outstanding principal			5,391,515	749,615
Unamortized capital appreciation			(42,169)	
Total bonds and note payable			5,349,346	
Less current maturities			(749,615)	
Plus unamortized bond premiums/discounts, net			485,521	
Total long-term bonds and note payable			$ 5,085,252	

(a) The bonds were issued as variable rate demand obligations (VRDO) and their variable interest is based on a weekly reset tied to SIFMA. As of September 28, 2011, the 2000 Series VRDO was split into 2000 Series A-1 VRDO and 2000 Series A-2 VRDO. The Authority classifies these bonds as long term and has a standby purchase agreement providing liquidity support from Barclays Bank PLC.

(b) The 2024 maturity in the amount of $19,260 and the 2025 maturity in the amount of $5,000 is variable debt based on the MUNI CPI rate, plus 123 basis points.

(c) These bonds were issued as VRDOs and their variable interest is based on a weekly reset tied to SIFMA. The Authority classifies these bonds as long term and has a standby purchase agreement providing liquidity support from State Street Bank and Trust Company.

The contractual principal and interest maturities of the bonds and notes payable as of June 30, 2021 are as follows:

	Principal	Interest
Fiscal Year(s):		
2022	$ 749,615	212,641
2023	235,645	205,010
2024	257,090	190,943
2025	266,495	178,607
2026	278,400	166,043
2027-2031	1,222,190	640,347
2032-2036	1,040,786	392,411
2037-2041	695,095	218,150
2042-2046	394,220	82,093
2047-2051	186,995	24,214
2052	22,815	456
Total	$ 5,349,346	2,310,915

A summary roll forward of bonds payable for the year ended June 30, 2021 is as follows:

	2021					
	Balance 2020	Bonds issued	Principal payments	Refunded/ redeemed principal	Capital appreciation bond accretion	Balance 2021
GTS	$ 141,585	—	(20,420)	—	—	121,165
Revenue	4,199,314	651,230	(248,560)	—	5,652	4,607,636
BABs	428,300	—	(7,755)	—	—	420,545
Commercial Paper	35,000	250,000	(85,000)	—	—	200,000
MBTPC	304,585	—	—	(304,585)	—	—
	$ 5,108,784	901,230	(361,735)	(304,585)	5,652	5,349,346

A rollforward of the 2016A capital appreciation bonds for the year ended June 30, 2021 is as follows:

	Due at Maturity	Unamortized appreciation	Outstanding balance
June 30, 2020	$ 288,195	(47,821)	240,374
Accretion	—	5,652	5,652
June 30, 2021	$ 288,195	(42,169)	246,026

The following funds, excluding the fair value of any forward delivery agreements, are included in restricted assets at June 30, 2021 in connection with the Authority's revenue bond trust agreements and bond resolutions:

	Assessment bonds	Sales tax bonds	Outstanding balance
Debt service	$ 84,669	356,718	441,387
Debt service reserve	30,327	203,842	234,169
	$ 114,996	560,560	675,556

The minimum required balances in the debt service reserve funds at June 30, 2021 were $26,187 for the Assessment Bonds and $136,917 for the Sales Tax Series Bonds. The Authority has complied with its financial bond covenants by maintaining sufficient cash and investments in the debt service reserve funds.

(b) Debt Refundings

In prior years, the Authority defeased debt by placing the proceeds of new bonds or available cash in an irrevocable trust fund to provide for future debt service payments on the old debt.

(c) Standby Purchase Agreements

The GTS 2000 Series Bonds issued March 10, 2000 were issued as a Variable Rate Demand Obligation. The Authority’s obligation to purchase these Bonds in the event of a failed remarketing is secured by a Standby Bond Purchase Agreement (SBPA) with Barclays Bank PLC, a nationally recognized financial institution. The SBPA was renewed on September 14, 2018 and will expire on September 21, 2022.

The 2018 Subseries A-1 and 2018 Subseries A-2 Series Bonds were issued on July 2, 2018 as Variable Rate Demand Obligations. The Authority’s obligation to purchase these Bonds in the event of a failed remarketing is secured by a Standby Bond Purchase Agreement (SBPA) with State Street Bank and Trust Company, a nationally recognized financial institution. The SBPA will expire on July 2, 2023.

(22) MBTA - Commitments and Contingencies

(a) Capital Investment Program (CIP)

The Authority's continuing CIP for mass transportation has projects in service and in various stages of approval, planning, and implementation. The following tables show, as of June 30, 2021, capital project costs approved, expenditures against these projects, and estimated costs to complete these projects, as well as the major funding sources:

Funding source	Approved project costs	Expenditures through June 30, 2021	Unexpended costs
Federal grants	$ 10,556,928	9,793,785	763,143
State and local sources	6,576,789	4,873,957	1,702,832
Authority bonds	9,802,656	7,890,145	1,912,511
Total	$ 26,936,373	22,557,887	4,378,486

The terms of the federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and comply with the Equal Employment Opportunity and Affirmative Action programs required by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Transit Administration. In management's opinion, no events have occurred that would result in the termination of these grants or require the refund of a significant amount of funds received under these grants.

Other cases and claims include disputes with contractors and others arising out of the Authority's CIP. In the opinion of the general counsel to the Authority, amounts reasonably expected to be paid by the Authority would be within the scope of grant funds and other funds available to the Authority for the respective projects.

The Authority has entered into several long-term contracts to purchase coaches, locomotives, buses, rapid transit cars, and other transportation equipment. Unexpended amounts under these contracts total approximately $905,316 at June 30, 2021.

(b) Automated Fare Collection Commitment

In March 2018, the Authority entered into an agreement with a third-party System Implementor (SI) to design, implement, integrate, test, finance, operate, maintain, and manage a new automated fare collection (AFC 2.0) system (the Project). The agreement hereafter referred to as the Project Agreement was amended and restated in June 2020. The Project Agreement's initial term is approximately 13.5 years and can be extended at the Authority's discretion for up to two additional five-year periods.

Upon satisfaction of the Project Agreements terms and conditions, the Authority is obligated to make milestone payments to the SI totaling approximately $217.3 million through the Full Service Commencement Date, as defined. Thereafter, for the remainder of the initial term, the Authority is obligated to make availability payments to the SI for capital (APC) and availability payments for

operations (APO) totaling approximately $368.7 million and $275.7 million, respectively. In addition to the APC and APO, the Authority is also required to make availability payments to the SI for transactions (APT) as defined in the Project Agreement.

The Project is expected to operational in fiscal 2024 with the initial term expiring in fiscal 2034. The Authority will capitalize all milestone and APC payments and will expense all APO and APT payments when made. As of June 30, 2021, the Authority has made two (2) milestone payments with an aggregate value of $12 million. These payments are reflected in the "Transportation property, not being depreciated" line on the Statement of Net Position.

(c) Legal and Other

The Authority is involved in numerous lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the general counsel to the Authority, payments of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

The Authority participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the Authority's management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

(23) MBTA - Risk Management

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and unemployment.

Buildings are fully insured to the extent that losses exceed the self-insured retention of $2,500 for buildings valued over $25,000 and the self-insured retention of $1,000 for buildings valued under $25,000 effective March 1, 2014. The Authority is self-insured for workers' compensation, unemployment claims and vehicle damage and loss. Beginning July 1, 2015, the Authority provided all its employees with health insurance through the health insurance plans administered by the Group Insurance Commission of the Commonwealth (GIC) and was no longer self-insured. Under GIC, the Authority pays 75% to 80% of all healthcare premiums for active employees within the health insurance plans administered by GIC; and pays 80% to 90% of all health premiums for retired employees within the health insurance plans administered by the GIC. Supplemental postemployment benefits for certain retirees are provided by the Authority as well. See note 26.

The Authority self-funds a $7,500 per occurrence deductible for general liability. The Authority has a program of excess public liability insurance to provide for $67,500 of layered coverage on a per occurrence and annual aggregate basis. In the opinion of the general counsel to the Authority, payments of claims by the Authority for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

Expenditures for claims and judgments and workers' compensation were $6,034 and $11,772 respectively for the year ended June 30, 2021.

The requirements of GASB, Statements require that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an

estimate of claims that have been incurred but not reported. The Authority reserves such liabilities, which consist of workers' compensation, and injuries and damages (legal claims) as accrued expenses as of June 30, 2021 and 2020. Changes in the self-insurance liabilities in FY21 were as follows:

		2021	2020
Liability, beginning of year	$	136,288	141,357
Provisions for claims		18,211	17,517
Payments		(17,806)	(22,586)
Liability, end of year	$	136,693	136,288

(24) MBTA - Commuter Railroad

Under the Enabling Act, the Authority may enter into agreements with private transportation companies, railroads, and other concerns providing for joint or cooperative operation of any mass transportation facility and for operation and use of any mass transportation facility and equipment for the account of the Authority.

On February 5, 2014 the Authority and Keolis Commuter Services (Keolis) entered into an operating agreement effective July 1, 2014 to provide commuter railroad service over the Authority's rail lines. The contract is for a period of eight (8) years, through June 30, 2022. The Authority has a fixed base contract amount of approximately $2.7 billion over the eight-year term of the agreement. The contract also has a provision for an extension period, comprised of the option to extend for no less than two, but no greater than four, one year extension. The payments for all commuter rail costs incurred by Keolis totaled $519,852 in FY21. The fixed base contract over the term of the contract and four-year extension period termination date of June 30, 2026 is approximately $4.1 billion.

(25) MBTA - Retirement Plans

The MBTA Retirement Fund, a single employer defined benefit plan, covers all employees except the MBTA police, who are covered separately, and certain executives who elect coverage under an alternate plan. The MBTA Retirement Fund and the MBTA Police Association Retirement Plan, a single employer defined benefit plan, both provide retirement, disability, and death benefits to their members. The MBTA Retirement Fund issues separately audited financial statements that may be obtained by writing to One Washington Mall, Boston, Massachusetts 02108, or by calling (617) 316-3800. The MBTA Police Association Retirement Plan also issues separately audited financial statements that may be obtained by writing to the Board of Directors, MBTA Police Association Retirement Plan, P.O. Box 35, Grafton, Massachusetts 01519.

The MBTA Deferred Compensation Plan, a single employer defined benefit plan, provides supplemental pension benefits for certain Local 453, Steelworkers, Transit Employee Administrators (collective bargaining units) and executive employees after retirement. Employees may participate in both the MBTA Retirement Fund and the MBTA Deferred Compensation Plan. The MBTA Deferred Compensation Plan is unfunded and does not issue separately audited financial statements.

Employees covered by benefit terms.

At December 31, 2020, the following employees were covered by the benefit terms:

	MBTA Retirement Fund	MBTA Police Association Retirement Fund	MBTA Deferred Compensation Plan
Retired employees or beneficiaries receiving benefits	6,710	128	916
Active employees	5,674	223	703
Inactive employees entitled to, but not yet receiving benefits	342	43	—
Totals:	12,726	394	1,619

(a) Funding Policy and Annual Pension Cost

The pension agreements between the Authority and Local 589, dated July 1, 2014 for the MBTA Retirement Fund and the MBTA Police Association dated June 30, 2003, designates that the board of trustees of each retirement plan establish the contribution requirements.

The historical MBTA Retirement Fund contribution rates are as follows:

		Contribution Percentage		
Valuation Date	Effective Date	Employer	Employee	Total
12/31/2018	7/1/2019	25.1300%	8.8200%	33.9500%
12/31/2019	7/1/2020	26.6600%	9.3300%	35.9900%
12/312020	7/1/2021	26.6600%	9.3300%	35.9900%

Actual contributions made in were in accordance with these contribution requirements.

The historical MBTA Police Association Retirement Plan contribution rates are as follows:

Valuation Date	Effective Date	Contribution Percentage		
		Employer	Employee	Total
12/31/2018	7/1/2019	14.4600%	8.7900%	23.2500%
12/31/2019	7/1/2020	13.7600%	8.3800%	22.1400%
12/31/2020	7/1/2021	14.3200%	8.9300%	23.2500%

Contributions are not required to be made for the MBTA Deferred Compensation Plan. Rather, benefit payments are made on a "pay as you go" basis.

(i) Net Pension Liability

The Authority's June 30, 2021 net pension liability for each retirement plan was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

Actuarial assumptions. The total pension liability for the MBTA Retirement Fund and the MBTA Police Association Plan as of December 31, 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Pension	MBTA Retirement Fund	MBTA Police Association Plan
Actuarial assumptions:		
Inflation rate	2.75%	3.03%
Salary increases	2.75% - 8%	3.25%
Investment rate of return*	7.25%	7.00%

*Net of pension plan investment expense, including inflation

For the December 31, 2020 MBTA Retirement Fund actuarial valuation, mortality rates were as follows:

- *Active and Deferred Mortality*: The RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 Improvement
- *Retired Mortality*: 94.5% of the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 Improvement
- *Surviving Spouse Mortality*: 107.5% of the RP-2014 Blue Collar Mortality Tables with fully generational projection using Scale MP-2018 Improvement

- *Disabled Mortality*: The RP-2014 Disability Mortality Tables with fully generational projection using Scale MP-2018 Improvement

- Among pre-retirement deaths, 7.5% are assumed to qualify for accidental death benefits

An experience study of the MBTA Retirement Fund was conducted based on the period from January 1, 2014 to December 31, 2017

For the December 31, 2020 MBTA Police Association Plan actuarial valuation, mortality rates were as follows:

- *Active Mortality*: PubS-2010 (Below Median) Amount Weighted Safety Mortality Tables – Fully Generational Scale MP-2019

- *Retired and Deferred Mortality*: 97.2% of PubS-2010 (Below Median) Amount Weighted Safety Mortality Tables – Fully Generational Scale MP-2019

- *Surviving Spouse Mortality*: 116.5% of Pub-2010 (Below Median) Amount Weighted Contingent Survivor Mortality Tables – Fully Generational Scale MP-2019

- *Disabled Mortality*: PubS-2010 Amount Weighted Safety Mortality Disability Tables – Fully Generational Scale MP-2019

- Among pre-retirement deaths, 25% are assumed to qualify for accidental death benefits

An experience study of the MBTA Police Association Retirement Plan was conducted based on the period from January 1, 2014 to December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of December 31, 2020 are summarized in the following tables:

MBTA Retirement Fund

	Target Allocation	Long Term Expected Real Rate of Return
Equity	43%	6.46%
Fixed Income	23%	1.25
Alternatives	32%	0.32
Cash	2%	(0.08)
Total	100%	

MBTA Police Association

	Target Allocation	Long Term Expected Real Rate of Return
Equity	46%	8.11%
Fixed Income	37%	1.10
Alternatives	17%	4.95
Total	100%	

Actuarial assumptions. The total pension liability for the MBTA Deferred Compensation Plan as of December 31, 2020 was determined using same actuarial assumptions for inflation, salary increases and mortality as described above for members covered by the MBTA Retirement Fund and the MBTA Police Association Retirement Plan.

Discount rate: The discount rate used to measure the total pension liability was 7.25% for the MBTA Retirement Fund while the discount rate for the MBTA Police Association Retirement Plan was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current MBTA Retirement Fund and MBTA Police Association Retirement Plan members. The discount rate used to measure the total pension liability for the MBTA Deferred Compensation Plan was 1.93%. Since this plan is unfunded, the assumed discount rate has been determined in accordance with the method prescribed by GASB No. 67 and is based on the S&P Municipal Bond 20 Year Grade Rate Index, whose yield to maturity was 1.93% as of December 31, 2020.

(ii) Change in the Net Pension Liability – MBTA Retirement Fund

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
	(a)	**(b)**	**(a)-(b)**
Balances at December 31, 2019	$ 3,021,111	1,614,145	1,406,966
Changes for the year:			
Service cost	52,010	—	52,010
Interest	214,773	—	214,773
Difference between expected and actual experience	(7,346)	—	(7,346)
Changes in assumptions	—	—	—
Contributions - employer	—	116,286	(116,286)
Contributions - employee	—	40,774	(40,774)
Net investment Income	—	228,671	(228,671)
Benefit payments, including refund of employee contributions	(225,423)	(225,423)	—
Administrative expense	—	(4,510)	4,510
Net changes	34,014	155,798	(121,784)
Balances at December 31, 2020	$ 3,055,125	1,769,943	1,285,182

(iii) Change in the Net Pension Liability – MBTA Police Association Retirement Plan

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension | Liability (c)**
Balances at December 31, 2019	$ 111,815	94,544	17,271
Changes for the year:			
Service cost	2,147	—	2,147
Interest	7,774	—	7,774
Contributions - employer	—	2,554	(2,554)
Contributions- employee	—	1,594	(1,594)
Net investment Income	—	7,208	(7,208)
Difference between expected and actual experience	(1,595)	—	(1,595)
Change in assumptions	—	—	—
Benefit payments, including refund of employee contributions	(5,908)	(5,908)	—
Administrative expense	—	(284)	284
Net changes	2,418	5,164	(2,746)
Balances at December 31, 2020	$ 114,233	99,708	14,525

(iv) Change in the Net Pension Liability – MBTA Deferred Compensation Plan

	Increase (Decrease)
	Total Pension Liability
Balances at December 31, 2019	$ 96,676
Changes for the year:	
Service cost	2,767
Interest	3,140
Difference between expected and actual experience	2,604
Changes in assumptions	15,784
Benefit payments, including refund of employee contributions	(6,249)
Net changes	18,046
Balances at December 31, 2020	$ 114,722

Sensitivity of net pension liability to changes in the rate

The following presents the net pension liability of the Authority, calculated using the discount rates disclosed as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of December 31, 2020:

	Current Rate	1 % Decrease of Current Rate	Current Discount Rate	1 % Increase of Current Rate
MBTA Retirement Fund	7.25%	$ 1,596,155	$ 1,285,182	$ 1,021,143
MBTA Police Association Retirement Plan	7.00%	28,905	14,525	2,520
MBTA Deferred Compensation	1.93%	129,527	114,722	102,516

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021 the Authority recognized pension expense of $164,616; $1,028; and $15,877; for the MBTA Retirement Fund, the MBTA Police Association Retirement Plan and the MBTA Deferred Compensation Plan, respectively.

At June 30, 2021 the Authority reported deferred outflows of resources and deferred inflow of resources related to pension amounts from the following sources:

Deferred Outflows of Resources:	MBTA Retirement Fund	Police Assoc. Retirement Plan	MBTA Deferred Compensation Plan	Total
Changes in assumptions	$ 71,369	112	11,782	83,263
Contributions subsequent to the measurement date	61,243	1,279	3,119	65,641
Differences between expected and actual experience	11,825	4,085	1,960	17,870
Total deferred outflows of resources	144,437	5,476	16,861	166,774
Deferred Inflows of Resources:				
Differences between expected and actual experience	$ (7,467)	(2,809)	—	(10,276)
Changes in assumptions	—	(3,297)	—	(3,297)
and actual earnings on pension plan investments	(133,069)	(1,171)	—	(134,240)
Total deferred inflows of resources	(140,536)	(7,277)	—	(147,813)
Less: Contributions subsequent to the measurement date	(61,243)	(1,279)	(3,119)	(65,641)
Net deferred outflows and inflows of resources exclusive of employer specific deferrals	$ (57,342)	(3,080)	13,742	(46,680)

Amounts reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the subsequent year.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized/(amortized) into pension expense as follows:

	MBTA Retirement Fund	MBTA Police Assoc. Retirement Plan	MBTA Deferred Compensation Plan
Year ended June 30:			
2022	$ 24,682	(984)	7,613
2023	(3,731)	410	6,129
2024	(53,976)	(1,700)	—
2025	(24,317)	(469)	—
2026	—	(337)	—
Thereafter	—	—	—
Totals:	$ (57,342)	(3,080)	13,742

Payable to the Pension Plans

At June 30, 2021 the Authority reported a payable for $5,242 for the outstanding amount of contributions to pension plans required for the year ended June 30, 2021.

(b) The MBTA Deferred Compensation Savings Plan

The Authority provides a defined contribution retirement plan for nonunion and certain grandfathered union management not participating in the MBTA Retirement Fund. Authority employee trustees administer the plan and recommend benefit amendments that require approval from the Authority's general manager. The plan requires members to contribute 8.8% of total covered payroll for the years ended June 30, 2021, with the Authority contributing 8.0%. The Plan had 514 members as of June 30, 2021. The cost of the Plan was $3,585 for the years ended June 30, 2021. Member contributions vest to plan members immediately, while contributions made by the Authority vest to plan members as follows: 50% after three years, 75% after four years, and 100% after five years of credited service. The total asset balances of $57,430 as of June 30, 2021, were held by a third party administrator who allocates the assets of fully funded member account balance at the direction of individual member discretion.

(26) MBTA - Other Postemployment Benefits (OPEB)

In addition to providing the pension benefits described, the Authority provides OPEB for eligible retired employees under two arrangements. The Authority participates in the Commonwealth of Massachusetts' Group Insurance Commission ("GIC") plan which provides health and other benefits to both Medicare and Non-Medicare eligible retirees. The Authority also provides eligible retirees with additional non-duplicative supplemental life insurance and Medicare Part B premium benefits through the Transit Employees Health and Welfare Fund. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Authority, collective bargaining agreements, and state statute. Plan membership as of July 1, 2020 is as follows:

Retirees or beneficiaries currently receiving benefit payments	$	6,151
Active employees		6,736
	$	12,887

Through the GIC, the Authority provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits.

(a) Funding Policy

Retiree contributions to the GIC plan vary based on the date of retirement. Pre- and post-65 retirees with a retirement date on or before July 1, 1994 contribute 10% to the cost of the health plan. Retirees who retired after July 1, 1994 and filed for retirement prior to August 10, 2009 contribute 15% of the cost of the health plan. Retirees who retired after July 1, 1994 and filed for retirement on or after August 10, 2009 but on or before October 1, 2009 with a retirement date on or before January 31, 2010 contribute 15% of the cost of the health plan. Retirees who file for retirement after October 1, 2009 will contribute 20% of the cost of the health plan. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

(b) Total OPEB Liability

The Authority's total OPEB liability of $2,135,831 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions and other inputs: The total OPEB liability as of June 30, 2020 was determined using the same actuarial assumptions for inflation, salary increases and mortality as described in note 25(a)(i) for members covered by the MBTA Retirement Fund and the MBTA Police Association Retirement Plan. Other Actuarial assumptions used to determine total OPEB liability as of June 30, 2020 are as follows:

Discount Rate: 2.66% based on the S&P Municipal Bond 20 Year High Grade Rate Index

Healthcare cost trend rate: Pre-Medicare and Medicare, 7.0% decreasing to an ultimate trend rate of 4.5%. Medicare Part B, 5.0% remaining constant.

Discount rate: The discount rate used to measure the total OPEB liability was 2.66%. Since OPEB is unfunded, the assumed discount rate has been determined in accordance with the method prescribed by GASB No. 74 and is based on the S&P Municipal Bond 20 Year Grade Rate Index, whose yield to maturity was 2.66% as of June 30, 2020.

(i) Change in Total OPEB Liability

	Increase (Decrease)
Balances at June 30, 2019	$ 2,329,201
Changes for the year:	
Service cost	82,707
Interest	66,510
Differences between expected and actual experience	(216,297)
Changes of assumptions	(69,802)
Benefit payments, including refund of employee contributions	(56,488)
Net changes	(193,370)
Balances at June 30, 2020	$ 2,135,831

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	$ 2,556,281	2,135,831	1,801,201

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	$ 1,796,981	2,135,831	2,578,346

(ii) OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021 the Authority recognized OPEB expense of $60,667. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB amounts from the following sources:

Deferred outflows of resources:		
Change in assumptions	$	164,359
Contributions subsequent to the measurement date		54,815
Total deferred outflows of resources		219,174
Deferred inflows of resources:		
Difference between expected and actual results		(413,657)
Changes in assumptions		(115,847)
Total deferred inflows of resources		(529,504)
Net deferred outflows and inflows of resources		(310,330)
Less contributions subsequent to the measurement date		(54,815)
Net deferred outflows and inflows of resources exclusive of employer specific deferrals	$	(365,145)

Amounts reported as deferred outflows of resources related to OPEB resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized /(amortized) into OPEB expense as follows:

Year ended June 30:		
2022	$	(88,550)
2023		(88,550)
2024		(81,719)
2025		(65,175)
2026		(41,151)
Totals	$	(365,145)

(c) Transit Employees Health and Welfare Trust

In fiscal 2015 the Authority and Local 589 (Local Union 589, Amalgamated Transit union, AFL-CIO and CLC) as a result of an arbitration award established a separate trust fund, the Transit Employee Health and Welfare Trust Fund (the Trust Fund), to address legislative changes impacting healthcare and other coverage (medical, dental, vision and life insurance) for Local 589 active and retired employees (collectively, the employees). The Authority and the employees are required to make contributions to the Trust Fund based on the rates agreed to in the Collective Bargaining

Agreement. Contributions, once received by the Trust Fund, must be used exclusively "to provide benefits to eligible participants and/or appropriate administrative or operating expenditures." The Trust allows participation of any Authority employee and retiree and provides pre and post retiree benefits to those individuals through the Trust Fund. As such the Trust Fund does not meet the definition of a qualifying trust under the requirements of GASB 75 and its assets cannot be used to reduce the Authority's total OPEB liability.

In fiscal 2021, the Authority made contributions to the Trust Fund of $14,023. The liability for the Authority's obligation for the benefits administered by this Trust Fund is recorded as part of the Authority's total OPEB liability. All operating activities of the Trust Fund have been excluded from the accompanying financial statements.

(27) MBTA - Pandemic Assistance

On March 10, 2020, the Massachusetts Governor declared a State of Emergency as a result of impact of COVID-19 on the residents of the Commonwealth. The World Health Organization subsequently formally classified COVID-19 as Global Pandemic on March 11, 2020. Finally, on March 13, 2020 was declared national state of emergency as a result of the COVID-19 pandemic.

The impact of COVID-19 State of Emergency declaration, including but not limited to social distancing and the classification of nonessential businesses and activities resulted in a corresponding decline in the use of the MBTA transit system as a whole.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, is a $2.2 trillion economic stimulus bill passed by Congress and signed into law resulting in the CARES Act as a means to protect the American people from the public health and economic impacts of COVID-19. The CARES Act, through the Federal Transit Administration's (FTA), provided $25 billion grant to transit agencies to help to prevent, prepare for and respond to the COVID-19 pandemic. The CARES Act is providing approximately $827.69 million to the MBTA and is available to support the Authority's revenue loss as well as all operating expenses generally eligible under the program. Transit entities nationwide could receive funding for approved costs incurred beginning on January 20, 2020. As of June 30, 2021, a total of $827.69 million (100%) has been received by the MBTA for operating assistance that occurred from January 20, 2020 through June 30, 2021.

On December 27, 2020 the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 ("CRRSAA") established a second round of economic stimulus assistance in the amount of $2.3 trillion. The CRSAA is providing approximately $291.3 million to the MBTA and is available to support the Authority's revenue loss as well as all operating expenses generally eligible under the program. As of June 30, 2021, a total of $236.4 million has been received by the MBTA for operating assistance that occurred from October 1, 2020 through June 30, 2021.

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARPA") was signed into law, establishing a third round of economic stimulus assistance in the amount of $1.9 trillion package and is intended to combat the COVID-19 pandemic, including the public health and economic impacts. The package includes $30 billion of direct federal aid to transportation agencies. The ARPA is providing approximately $860.0 million to the MBTA and is available to support the Authority's revenue loss as well as all operating expenses generally eligible under the program. As of June 30, 2021, the MBTA has not received any ARPA funds for operating expenses that occurred through June 30, 2021.

(28) MBTA - Subsequent events

In August 2021, the Authority issued $325 million of Subordinated Sales Tax Bond Anticipation Notes, Series 2021 (Sustainability Bonds) maturing May 1, 2025 interim fund the Authority's automatic train control project. The bonds pay 4.00% coupons on January 1, 2022 and semiannually thereafter on each July 1 and January 1 and at maturity.

In addition, as more fully described in note 8, in December 2021, the Authority drew down $382 million under the RRIF program.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2021
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (1)

	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
MassDOT's proportion % of the net pension liability	4.26585 %	4.26544 %	4.31966 %	4.43888 %	4.67817 %	5.07498 %	4.98100 %
MassDOT's proportionate share of the net pension liability	$ 799,297	624,213	571,492	569,276	645,065	577,676	369,795
MassDOT's covered-employee payroll	$ 289,528	255,607	248,834	256,471	263,416	280,329	266,308
MassDOT's nonemployer contributions provided by the Commonwealth	$ 9,577	11,650	10,189	9,185	8,701	2,648	8,199
MassDOT's proportionate share of the net pension liability as a percentage of its covered-employee payroll	276.07 %	244.21 %	229.67 %	221.96 %	244.88 %	206.07 %	138.86 %
Plan fiduciary net position as a percentage of the total pension liability	66.48 %	66.28 %	67.91 %	67.21 %	63.48 %	67.87 %	76.32 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2021
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S PENSION CONTRIBUTIONS (1)

	2021	2020	2019	2018	2017
Contractually required contribution	$ 42,611	40,765	30,826	29,313	25,519
Contributions in relation to the contractually required contribution	(42,611)	(40,765)	(30,826)	(29,313)	(25,519)
Contribution deficiency (excess)	$ —	—	—	—	—
MassDOT's covered-employee payroll	$290,661	289,528	255,607	248,834	256,471
Contributions as a percentage of covered employee payroll	14.66 %	14.08 %	12.06 %	11.78 %	9.95 %

	2016	2015	2014	2013	2012
Contractually required contribution	$ 24,893	29,126	21,118	17,220	22,376
Contributions in relation to the contractually required contribution	(24,893)	(29,126)	(21,118)	(17,220)	(22,376)
Contribution deficiency (excess)	$ —	—	—	—	—
MassDOT's covered-employee payroll	$263,416	280,329	266,308	254,807	249,176
Contributions as a percentage of covered employee payroll	9.45 %	10.39 %	7.93 %	6.76 %	8.98 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2021
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (1)

	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)
MassDOT's proportion % of the net OPEB liability	4.82515 %	4.4195 %	4.47456 %	4.59294 %
MassDOT's proportionate share of the net OPEB liability	$ 998,381	808,483	$ 831,094	803,052
MassDOT's covered-employee payroll	$ 289,527	255,607	$ 248,834	256,471
MassDOT's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	344.83 %	316.30 %	334.00 %	313.12 %
Plan fiduciary net position as a percentage of the total OPEB liability	6.40 %	6.96 %	6.01 %	5.39 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Fiscal year ended June 30, 2021
(Dollars in thousands)
(Unaudited)

SCHEDULE OF MASSDOT'S OPEB CONTRIBUTIONS (1)

	2021	2020	2019	2018
Actuarially determined contribution	22,375	21,117	$ 22,478	22,193
Contributions in relation to the actuarially determined contribution	(22,375)	(21,117)	(22,478)	(22,193)
Contribution deficiency (excess)	$ —	—	$ —	—
Covered employee payroll	$ 290,661	$ 289,527	$ 255,607	248,834
Contributions as a percentage of covered employee payroll	7.70 %	7.29 %	8.79 %	8.92 %

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Massachusetts Transportation Trust Fund
Combining Balance Sheet
June 30, 2021
(Dollars in thousands)

Assets	Metropolitan Highway System	Western Turnpike	Tobin Bridge	Other operations	Total
Cash and short-term investments	$ —	—	—	113,439	113,439
Restricted cash and investments	588,020	334,902	164,143	21,808	1,108,873
Other receivables, net	57,856	40,727	9,986	22,346	130,915
Other assets	2,157	631	190	333	3,311
Total assets	$ 648,033	376,260	174,319	157,926	1,356,538
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable and accrued expenditures	22,248	19,001	1,463	29,955	72,667
Unearned revenue	186,293	1,897	—	15,960	204,150
Total liabilities	208,541	20,898	1,463	45,915	276,817
Deferred Inflows of Resources:					
Unavailable Revenue	37,588	35,137	8,988	—	81,713
Fund balances:					
Nonspendable	2,157	631	190	333	3,311
Restricted	399,747	319,594	163,678	21,668	904,687
Unassigned	—	—	—	90,010	90,010
Total fund balances	401,904	320,225	163,868	112,011	998,008
Total liabilities, deferred inflows of resources and fund balances	$ 648,033	376,260	174,319	157,926	1,356,538

See accompanying independent auditors' report.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
(A Component Unit of the Commonwealth of Massachusetts)

Massachusetts Transportation Trust Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Fiscal year ended June 30, 2021
(Dollars in thousands)

	Metropolitan Highway System	Western Turnpike	Tobin Bridge	Other operations	Total
Revenues					
Toll revenue:					
Pledged as security for revenue bonds	$ 144,694	—	—	—	144,694
Unpledged	—	135,344	34,217	—	169,561
Commonwealth transportation fund:					
Operations	—	—	—	489,249	489,249
Metropolitan highway system bonds	100,000	—	—	—	100,000
Central artery operations and maintenance	25,000	—	—	—	25,000
Rental/lease income	13,517	29,224	—	14,709	57,450
Investment income	3,537	587	280	304	4,708
Departmental and other	14,412	8,521	1,495	74,572	99,000
Total revenues	301,160	173,676	35,992	578,834	1,089,662
Expenditures					
Current					
Highway**	137,529	148,553	18,154	264,055	568,291
Planning and Enterprise Services	22,649	12,071	968	108,303	143,991
Registry of motor vehicles	—	—	—	159,933	159,933
Rail and Transit	—	—	—	97,186	97,186
Aeronautics	—	—	—	2,506	2,506
Debt service:					
Principal	47,765	—	—	—	47,765
Interest	97,483	—	—	—	97,483
Total expenditures	305,426	160,624	19,122	631,983	1,117,155
Excess (deficiency) of revenues over expenditures	(4,266)	13,052	16,870	(53,149)	(27,493)
Other financing sources (uses):					
Transfers in	—	—	—	35,584	35,584
Total other financing sources (uses)	—	—	—	35,584	35,584
Net change in fund balances	(4,266)	13,052	16,870	(17,565)	8,091
Fund balances at beginning of year, as restated	406,170	307,173	146,998	129,576	989,917
Fund balances at end of year	$ 401,904	320,225	163,868	112,011	998,008

See accompanying independent auditors' report.

** Pay go Maintenance expenditures of $144 million are included in total line ($56 million in MHS & $88 million WT)